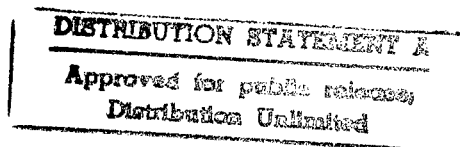


JPRS-CAR-91-057  
18 OCTOBER 1991



# ***JPRS Report***

# **China**



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# China

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18 October 1991

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## Political Strengths of Zou Jiahua, Zhu Rongji

### Difference Between Zou, Zhu

91CM0504A Hong Kong TANG TAI  
[CONTEMPORARY] in Chinese No 3, 15 Jun 91  
pp 22-27

[Article by Li Ta (2621 6671): "Comparison of Political Strengths of Zou, Zhu"]

[Text] In line with Deng Xiaoping's latest instruction, around the time of the 14th National Party Congress, the Central Committee will promote a number of "century-spanning successors." The Central Party School and the National Defense University, which train the CPC's high-level government and military officials, are now selecting from the localities and the armed forces several hundred officials for training. The factions in the Central Committee are close to selecting their own new members. According to news from Beijing, next year Li Peng will give up his post of premier and be "promoted" to state president or chairman of the Standing Committee of the National People's Congress (NPC). Even if Zou Jiahua bears no responsibility for the blood shed in the 4 June incident and he is an honest, upright man, from a look at Deng Xiaoping's current personnel dispositions, it is clear that he wants Zhu Rongji to take over the premier's post. In the year just coming up and in more to come, Zou Jiahua, with his "Crown Prince Party," and Zhu Rongji, with his Rightist background, will engage in a major trial of strength.

### Zou's Strength Is Innate, Zhu's Superiority Is Acquired

Zou Jiahua's strength and superiority is "innate." As a descendant of martyrs, he is deeply trusted by the Chinese Communist elders; as Ye Jianying's son-in-law, he has the support of a number of old mentors in the armed forces. Chinese Communist officials who have worked with Zou have revealed that Zou does not put on the airs of a high-level cadre, he is diligent and conscientious in work, and he is very popular. Because Zou's feelings for the party are too deep, his understanding of China's present situation, the future of its reforms, and other questions is very limited. In his word Zou often shows the common failings of the third generation of Chinese Communist leaders: not being good at independent thinking, lacking definite views, and being strongly dependent. The great majority of his colleagues think that he "is not bold" and "cannot 'shoulder the main ridgepole,' but is good material for being an assistant."

Zhu Rongji's political strength is now far inferior to that of Zou Jiahua. Zhu's inferiority lies in his lack of a base within the party. He is not an intellectual who was personally trained by the party, but belongs to that category of intellectuals who must be transformed, and so it is very difficult for him to truly win the trust of the Chinese Communist elders. When Zhu was promoted to vice premier, Chen Yun said, "There is no problem with Zou Jiahua, but Zhu Rongji has been a Rightist and must be investigated more." This sentence is highly representative. For the kind of a man that Zhu is to obtain, in the end,

power among the Chinese Communists is a matter that calls for extreme caution; otherwise, it will be extremely easy for the party to come to a premature end. From a look at the present situation of the Chinese Communists, we see that Zhu has powerful potential strength. Following the development of the reform situation in a good direction, and with the support of Deng Xiaoping, it is highly possible that Zhu will become the new spokesman for the Chinese reformers. He will get widespread support from local forces, the new-type Chinese middle class, and the intellectuals. It is also highly possible that the reforms he will lead will transcend the current narrow ideology of Communist Party members.

### Deng's Intention Behind Putting Zhu Rongji in Charge of Industry, Communications

In the State Council's current division of work, Zhu Rongji is in charge of industry and communications. This area falls within the scope of China's traditional planned economy. Deng has not, as outsiders imagined he would, pushed Zhu into the frontal position of reform. It is thus obvious that Deng Xiaoping has really given much thought to this matter. With the current stalemate in China between the reformers and the conservatives, the Chinese Communists have made the invigoration of state-run large- and medium-sized enterprises the focal point for reform in the future. However, under the current circumstances, nobody has come up with a good strategy for making effective improvements, and Zhu Rongji can do nothing. The best way for him to avoid being attacked by the conservatives is for him to protect himself. In line with Deng's plan and in this period of one year and more, the key to Zhu's doing his work is to make use of his position at the center to rapidly organize at the center and ministries, as well as in the localities, his own ordinary members and his forces. Toward society Zhu expresses an attitude of enlightenment and reform. From a look at the time when Zhu rose to be vice-premier, we see that Zhu seems to frequently send signals to the outside world that he is different from Li Peng. The clearest example of this is Li Peng's and Zhu Rongji's articles and speeches on public occasions in which they discuss the question of invigorating the large- and medium-sized enterprises. Li Peng still "plays the same old tune," stressing "the internal reform of enterprises" and "separation to an appropriate degree of the responsibilities of the government and the enterprise." But Zhu puts the focus on questions such as the reform of the ownership system of state-run enterprises. It has been disclosed that coming to Beijing this time for training in the party school were Xu Xinguan [6079 5887 6306], vice governor of Zhejiang Province and Zhu Jiazhen [4281 1367 3914], vice governor of Liaoning Province, both of whom are Zhu Rongji's "troops."

### Representatives of Two Forces

91CM0504B Hong Kong TANG TAI  
[CONTEMPORARY] in Chinese No 3, 15 Jun 91  
pp 23-24

[Article by Li Ta: "Zou, Zhu—Representatives of Two Different Political Forces Within Party"]

[Text] In China's political operations there are two channels for employment and promotion—formal and informal. The informal channel, which mainly includes a person's relationship of dependency and background history, is the most crucial factor in the circulation of elites in China's current political system. The Chinese Communists will have the 14th National Party Congress next year, and this congress will produce the new leadership stratum. They have decided that, after the NPC session in the year after next, the new leaders of the state organs will be selected. Who will replace Li Peng as premier? On the basis of the current arrangements in the Chinese Communists' State Council, Zou Jiahua and Zhu Rongji are obviously the two most likely candidates.

#### **Zou Is the Successor Whom the Older Generation of Chinese Communists Trust**

There is a big difference between Zou and Zhu in their relationships of dependency within the CPC, their traits of temperament, and their background history. Only by clearly understanding this difference can one understand each one's influence and effect in the future on China's political stage.

The features of Zou Jiahua's background are: He is a descendant of martyrs, took part in the revolution, received a higher education, worked for the party, and entered the higher stratum at the center. Among the Chinese Communists' third generation of successors, Zou is a traditional, conservative, and faithful representative. Before the Chinese Communists obtained political power, the majority of these people who took part in the revolution were Communist Party members or descendants of martyrs. They matured under the influence of the older generation of Chinese Communist revolutionaries, and they willingly accepted the ideas of the first generation. Even if today these ideas are divorced from reality, they stick to them and think that whoever opposes the ideas of the older generation is an enemy. These people are successors whom the Chinese Communists have trained and examined for many years, whose "roots are Red and whose shoots are orthodox," and who have unalterable principles. The older generation feels most relieved to turn power over to them. Among these people Zou Jiahua stands out. This category of cadres accounts for about 50 percent of the total number of the third generation of Chinese Communist successors, and they are distributed at every level of the Chinese Communist leadership. Characteristically, they are obedient, submissive, and without ideas, and they lack definite views, have strong party spirit, and have fairly strong backing within in the party. Provided they do not make mistakes, these revolutionary cadres will naturally rise step by step. Li Peng, Li Tieying, Ye Xuanping, and Liu Yuan, Henan governor, are representatives of this generation.

#### **Zhu Rongji: Representative of "Healthy Force" Within Party?**

Different from Zou Jiahua, Zhu Rongji, after the Communist Party seized China, took part in the Chinese Communists' socialist construction after graduating from Qinghua

University. At that time there was high morale for building the New China, and the Communist Party's prestige was at its apex. Many patriotic youths in succession drew close to the party, and Zhu Rongji was one of them. However, because the majority of these people were high-level intellectuals, they usually have the ability to judge things for themselves, and thus they cannot for long enjoy the trust of the Chinese Communists. In the Anti-Rightist Struggle of the fifties, the people who were labeled Rightists were mainly the patriotic intellectuals who had joined the revolution after liberation, and Zhu Rongji was one of these almost 1 million Rightists. In examining Zhu's background, we certainly cannot ignore the fact he was once a Rightist. In the ranks of the Chinese Communists' third generation of successors, these people have become a fairly powerful force. They have a very strong ability for independent thinking; they are individually charming, they can deal with concrete matters relating to work, and they are enlightened. Having gone through nearly 20 years of the discrimination against Rightists by the Chinese Communists and through various political movements, the majority of them have a deeper understanding of China's society than other Chinese Communist officials. After 1979, China's Rightists were rehabilitated and restored to work. After 1979 Zhu Rongji began to be placed in important positions, becoming deputy office chief in the Energy Mobilization Bureau of the State Planning Commission. In the 10 years of reform Hu Yaobang vigorously stressed that cadres should be "better educated." The Rightists, relying on their broad mass base and on ruthless political strategems, have rapidly advanced in their official careers. They are the hard core of the Chinese Communists' local province-level leaders and local department- and office-level cadres, and are the backbone elements that promoted the 10-year reform. In these short 10 years, Zhu Rongji, from an ordinary office chief in China, became in one bound the mayor of its largest city, Shanghai. Officials of the Zhu Rongji type now make up 20 to 30 percent of the Chinese Communists' third echelon. They are called a "healthy force" within the party, and Zhu Rongji has become the representative of this force. They depended on the reforms to make their careers, and if they were to depart from the reforms it would be very difficult for them to find a space for themselves.

#### **Zhu Rongji: China's Gorbachev?**

The extreme changeability of the Chinese Communist political system has abetted opportunism, which has become the necessary tactic for a Chinese Communist's individual survival, and this is a basic principle in China's political guerrilla warfare. China's officials must be able to thoroughly investigate the changes in policy, and to try to figure out the fate of the main leaders, in order to make the corresponding response before they can truly profit from their own position. In particular, with regard to intellectuals like Zhu Rongji, who once naively believed in Mao Zedong's "free airing of views" and sincerely gave the Communist Party his opinions, and later was labeled a Rightist. These intellectuals now better understand how to protect themselves. During the 10-year reform, they, by

the method of tacit agreement and noninterference, let subordinates younger than themselves specifically handle some daring and sensitive problems. During the purge after the 4 June incident these people basically avoided the limelight, and they managed to remain "on stage." After a Chinese political figure obtains supreme power, his true features cannot be seen and he can only play the role of an opportunistic politician. Deng Xiaoping and Zhao Ziyang are like this, and the people who come after them will be no exception. Even if Zhu Rongji in politics has made no particular contribution or taken a particular stand, his special experiences make people think that after he comes to power he will take a completely different line on reform than Zou Jiahua and will make a breakthrough in China's reforms. As a descendant of martyrs, Zou Jiahua has from birth been the right and proper successor. Like Li Peng, his feelings for the party run too deep, and the reform led by such people is extremely limited. Precisely under this premise, people call Zhu China's Gorbachev. Outsiders have reason to believe that a Chinese Communist vice premier, who graduated from a regular school—Qinghua University—before the Communist Party seized power, who was a Rightist, and who depended on reform to make his future, will have in his ideology ideas that are completely different from those of the present regime. It is highly probable that Zhu will be an important figure in the future China.

#### **Cool Response From Party**

91CM0504C Hong Kong TANG TAI  
[CONTEMPORARY] in Chinese No 3, 15 Jun 91  
p 25

[Article by Li Ta: "Cool Response to Zou, Zhu From Various Strata in Party"]

[Text] China's major economic proportional relationship and industrial structure have experienced many serious imbalances; crises in the national economy have clearly become periodic; and the arrival of every crisis is necessarily accompanied by a fierce struggle between factions at the center's higher level—this has become a habitual fact for Chinese Communist officials. However, after the 4 June incident there appeared at every level in the party a phenomenon different from past phenomena, viz., the majority of officials showed considerable coolness toward politics, and their response to Zou, Zhu, and other new political figures was apathetic; their main attention is focused on making money.

#### **Apathetic Attitude of Masses Toward Deng's Next Round of Reforms**

According to a scholar in Beijing who is engaged in social sciences research: "Since the NPC session was held, it has become more and more clear that officials at every level on the mainland widely feel that there are two different voices at the center's higher level." This is mainly because the Eighth Five-Year Plan passed by the NPC stresses that the reform of large- and medium-sized state-run enterprises takes first place, but, on the question of how to specifically make this reform, the higher level at the center sings different tunes. On 17 May Wang Renzhi, in the name of the

Central Propaganda Department, summoned party secretaries and factory directors and managers from more than 100 large- and medium-sized enterprises throughout the country, to the capital for a symposium on how to invigorate these enterprises. When making a speech at the symposium he maintained that the party's political superiority will be fully displayed in order to enhance the vitality of the large- and medium-sized enterprises. In May, when discussing this question in Hubei, Song Ping put the focus on resolutely opposing the use of economic construction to carry out peaceful evolution. At the same time, Li Ruihuan in Zhejiang and Zhu Rongji in Shanghai, when talking about the reform of state-run enterprises, stressed that it must start from the use of science and technology, the reform of the ownership system, and the establishment of a social welfare fund. Officials of China's large- and medium-sized enterprises, without the slightest idea of making reforms, are now waiting to see the center's next policy.

Many party officials have indicated that they are paying attention to the use of and publicizing by Deng Xiaoping and Jiang Zemin of the idea that "science and technology are the number one productive force" to create public opinion for the next round of reforms. At the same time, the promotion of Zou and Zhu, the recent inspection in all directions by the Standing Committee members of the Politburo, and the urgent transfer to the capital for training of provincial-level party and government cadres were also symbols of the center's major personnel changes. However, the majority of officials and people have taken a cool attitude of "indifference." An official of Guangdong Province said: "At the beginning of the eighties, the common people scrambled after Deng's idea of 'emancipating the mind.' But the 4 June incident caused the Chinese Communists to lose their cohesiveness and the political trust of the mainland masses. Under these circumstances, the 'further emancipation of the mind and the scientific and technological revolution' proposed by Deng lack real political significance."

#### **Conservative Bureaucrats On Guard Against Zhu**

The mainland people have two main attitudes toward these two men—Zou and Zhu—and on which of them will become premier in the end. The great majority of people think that it is "a toss-up" as to who will become premier and that China is now a country of old men's politics. They think that Deng Xiaoping is the key to China's fate over the next several years; if Deng Xiaoping dies then neither Zou nor Zhu will have the power to prevail and then will it not be a case of "not knowing whose words count"? Moreover, some people think that no matter whether it is Zou or Zhu who becomes premier, he will be better than Li Peng. Some intellectuals on the mainland pin their hopes on Zhu Rongji, but they all have misgivings because among the Chinese Communists an official like Zhu, who possesses the capability for daring and resolution in work and for thinking on his own, often "do not have a long life"; if such a person does not have strong backstage support, it will be very easy for him to be driven from the stage. Some officials in Beijing say that there are now a number of conservative bureaucrats who are very much on guard against Zhu Rongji, thinking that he displays his abilities too openly, and this will be an obstacle to him.

## NATIONAL AFFAIRS

**Zhang Zhuoyuan Advocates Economic Stability, Reform**

91CE0726A Beijing CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS] in Chinese  
No 6, 11 Jun 91 pp 6-12

[Article by Zhang Zhuoyuan (1728 2715 0337): "Maintain Macroeconomic Stability, Give Impetus to Market-Oriented Reform"]

[Text] China's economy in the eighties achieved huge successes. Its annual GNP rate of increase came close to 9 percent. It can be said that the country is entering into a period of rapid growth. Despite the threat of high inflation and panic buying in the last half of 1988, two years of improvement and rectification and policy readjustments have gradually restored macroeconomic stability. During the nineties, China must realize the second-stage of its strategic goals for economic development. Having doubled in the eighties, GNP must again be doubled, living standards must reach a level of comparative comfort, and initial steps must be taken to set up a new system of planned commodity economy. This is a perfectly glorious but arduous task. Whether we can accomplish it bears directly on the success or failure of socialism in China and on the future destiny of the Chinese nation. I believe that, if we are to realize these grand goals, we have to maintain macroeconomic stability and strive for growth in stability. On the other hand, we must guide the economy onto a favorable course by actively and reliably giving impetus to market-oriented reform. This can have the effect of bringing economic growth and reform into harmony with each other and promoting their mutual advancement. This also represents a fundamental way out for China's economy.

**1. Maintaining Macroeconomic Stability, Striving for Growth in Stability**

The most important lesson learned in our 40 years of building China's economy has been the effort needed to prevent imbalances in the national economy and the attendant large fluctuations while maintaining macroeconomic stability and growth in stability. In handling the relationship between economic stability and economic growth, the state's macroeconomic policies must give precedence to economic stability; growth and development must be sought on the basis of maintaining economic equilibrium. If we are to prevent an excessively high rate of economic growth (for example, in 1984-1988 when industrial growth rate reached 17.8 percent) and re-emergence of an overheated economy and overall imbalances, we should, during the period of the Eighth Five-Year Plan as well as during all the nineties, regard a stable economy the paramount goal of the state's macroeconomic policies. We must be alert to inflation making a comeback and firmly hold down retail prices increases to below double digit (10 percent). This is not only good for healthy economic growth, it is also good for successfully advancing economic reform.

Huge swings in economic growth are bound to occur during the macroeconomic instability caused by giving undue priority to growth, in particular to industrial growth. Take the eighties, for example. China's highest rate of growth in domestic gross output value was 14.6 percent in 1984. Its lowest was 3.6 percent in 1989, a spread of 11 percentage points. During this period, Japan's highest rate of growth in domestic gross output value was 5.6 percent in 1988. Its lowest was 2.4 percent in 1986, a spread of only 3.2 points. South Korea's highest was 12.4 percent in 1986. Its lowest was 5.4 percent in 1985, a spread of only 7 points. Thailand's highest was 11 percent in 1988. Its lowest was 3.2 percent in 1985, a spread of only 7.8 points.<sup>1</sup> Strong fluctuations, whether they are during periods of rapid growth or when growth rate is declining, are always at the cost of wasted materials and economic efficiency being sacrificed. It is in fact "low efficiency growth." Of course, looking at it from a long-range point view, we should strive for a relatively high rate of growth to guarantee a gradual strengthening of the economy, a gradual expansion of employment, and a gradual improvement in the living standard. China's industrial growth should still be a little higher to help gradually catch up with the economically more advanced countries. However, experience has taught us that growth should not be too rapid, still less should we undermine our stability in its pursuit. Giving undue priority to the unrealistic pursuit of rapid growth, again and again, has drawn the country's economy into difficult straits with disastrous results. We cannot commit this kind of mistake again.

Indeed, the economy has within itself an impulse to expand. If the state is not up to controlling and managing growth, the economy very easily becomes overheated. This is the way socialist countries are, as are certain other countries, especially developing countries. Some comrades believe that, under a traditional socialist economic system, expansion of investment and consumption is inevitable and overall demand exceeding overall supply is unavoidable. They think that a socialist economy is destined to be plagued by scarcity, and therefore, the repeated emergence of overheated economies in the course of building socialism in China is totally a structural phenomenon and nothing unusual. I do not think that this analysis is necessarily complete. Under a traditional system, there exists investment hunger for consumption. This makes it easy for demand to grow too vigorously and leads to national income exceeding distribution. However, this is not the only reason for an economy overheating. Another more important reason are policy errors which result from being overly influenced by the guiding ideology, namely, the mistake usually described as giving undue priority to pursuing a high rate of growth. In reality, the state's macroeconomic policies have a decisive effect on balancing overall supply and demand. Properly selecting macroeconomic policies which focus on overall balancing allows for a rough conformity between the scale of construction and national capabilities, a rough conformity between average wage increases and improvements in labor productivity, and can ensure the most important macroeconomic ratio of all—a rough balance between

overall supply and demand, thereby maintaining economic stability and successful development. For example, some people once tentatively calculated that, for six years in a row from 1953 to 1958, China's overall supply and demand was relatively balanced, the differences not exceeding 3.5 percent. Furthermore, four of these six years, overall demand was less than overall supply. In contrast to this, if the state promotes expansive macroeconomic policies which give undue priority to excessively high growth, and if investment and consumption both expand, overall demand is bound to greatly surpass overall supply, affect economic stability, and lead to proportional imbalances. The 1984-1988 situation in China was an outstanding example. Owing to the relaxed fiscal and monetary policies the state promoted and the blind pursuit of unrealistically rapid growth, the economy became overheated, inflation developed, and overall demand greatly exceeded overall supply, with the rate of difference surpassing 6 percent. In the summer of 1988, this ultimately led to the threat of an exploding economy. At the beginning of the fourth quarter in 1988, the state tightened up its fiscal administration and credit. This forced the economy to cool down, restored the balance between overall supply and demand, with the rate of difference in 1990 dropping to below 4 percent, and caused the rate at which retail commodity prices increased to decline to 2.1 percent. Obviously, whether the state selects appropriate macroeconomic policies and whether the economy is stable and its development balanced have a decisive effect and belies the doctrine that a socialist economy is destined to be one of scarcity. If capitalist countries can utilize financial and monetary means for macroeconomic regulation and achieve results, then our socialist state with an economy dominated by the government, with much more and much larger material means controlled by the state, and with the fundamental interests of the people of the entire country in accord is naturally even better able to vigorously regulate its economy primarily through macroeconomic means.

If we are to have a stable economy, we first of all must control the rate of economic development, mainly industrial development. We need to have a relatively high rate of industrial development to speed up industrialization and industrial modernization. However, our pursuit in the past of unrealistically rapid development had unfavorable results. Past experience has shown that a rate of approximately 6 percent for economic growth and a rate of 8 percent and above, but not to exceed 10 percent, for industrial growth would from now on be fairly appropriate for China. With an economic growth rate of this kind, the second-stage of strategic goals for economic development could be realized in the nineties and the costs of high inflation could be avoided (some people calculate that, if the economic growth rate that China pursues in the nineties is held to about 6 percent, it is foreseeable that the rate of inflation will decline to 5 percent or less).

If we are to have a stable economy, we also must effect relatively firm fiscal and monetary policies for the control of overall price levels. This will maintain basic stability with an annual rate of increase of 5 percent or less. We should realize that the decline to 2.1 percent in the rate at

which retail prices increased in 1990 does not mean we have already achieved price stability. Owing to the restoration of more flexible fiscal administration and credit in 1990, the deficit reached 15 billion yuan; newly increased loans came to 273.1 billion yuan, the rate of increase reaching 22 percent, which greatly exceeded economic growth plus increases in commodity prices. This represented the largest one-year growth since 1987. The money supply (currency in circulation plus bank savings) also grew more than 20 percent. These factors inevitably increased pressures for a rebound of inflation and a rise in prices. When we consider the 1991 plan, we find that the increases are not large (the annual economic growth rate is set at 4.5 percent and industrial growth at 6 percent); and given the bumper grain harvest in 1991 and abundant supply of agricultural products, it is estimated that price rises in 1991 are not likely to reach double digits. We should manage quite well this year. However, owing to the slow progress in readjusting industrial structure, economic efficiency has not improved and financial difficulties are fairly serious. The task of holding down inflation and price rises after 1992 will be much harder. The state must be even more careful and cautious in the macroeconomic policies it adopts. They must not imperil our newly stabilized economy.

If we are to stabilize our economy, we also have to reform the traditional economic structure that is liable to cause inflation by setting up restraining mechanisms which can control too vigorous growth in demand. This should gradually shift the economy into a favorable cycle and ensure its equilibrium and efficient development.

## 2. Uphold Market-Oriented Reform

Determining the what the direction of economic structural reform has been, theoretically and practically, is the most controversial and most acute issue since reform began in 1979. Even today, there are still wide differences on whether reform should be market oriented. I believe we have to uphold market-oriented reform if we are to avoid leaving the job half done and if we are to truly establish a new structure of a planned socialist commodity economy. Negating or abandoning market-oriented reform will lead to negating a variety of work that has been done to set up the new structure.

Why do we say upholding market-oriented reform is needed to establish the new structure?

First, reform of a socialist country's economic structure, essentially, means working to expand the commodity-money relationship, to develop market relationships, and to fully exploit market mechanisms. The fundamental difference between the old and new structures lies in the development or exclusion of commodity, that is, market relationships. The traditional economic structure must be reformed because it excludes the commodity-money relationship and market mechanisms, thus making moribund the economy and stifling vitality. This is harmful to improving resource allocation and to the beneficial effects of microeconomic operations. In effect, it is harmful to the successful development of social productive forces. If we



are to enable the national economy to avoid rigidity and semirigidity and become vigorous, we must first of all develop market relationships, enlist the aid of market forces, and substitute emphasis on market coordination for emphasis on administrative coordination in economic activity (principally, in macroeconomic activity). This will gradually enlarge the scope and proportion of market regulation. At the same time, we must improve the efficiency and quality of economic activity and alter the irrational situation where there are discrepancies between production and demand as well as shortages and a lack of supplies, and simultaneously, severe overstocking. We must overcome various types of consumer extravagances, establish rational consumer patterns and structures consistent with our level of economic development, and we must rely on the effect of market guidance, in particular, the economic behavior of macroeconomic entities (enterprises, households, and individuals). Not everything can be projected by planning departments. Choices should be made voluntarily on the basis of various information provided by the market. In a commodity economy, demand signals can be found through the market. Since China began reform of its economic structure in 1979, the gradual introduction of market mechanisms into economic activity has invigorated circulation, caused the market to begin to prosper, vigorously encouraged development of social productive forces, gradually strengthened economic vitality, provided rich and varied commodities, and improved the standard of living and made it constantly more varied. This is there for all to see.

Second, market mechanisms are the mechanisms intrinsic to a commodity economy. Market coordination represents the chief form of activity in a commodity economy. Developing a commodity economy means making full use of market mechanisms. The law of values is the basic law of a commodity economy, and it is by means of market mechanisms that the law of values governs the actions of a commodity economy. It is generally recognized that market mechanisms are formed by the mechanisms of supply and demand, price, competition, and risk. The most important point is that they regulate the supply and demand relationship through the rise and fall of prices and that the rise and fall of prices are in turn affected by changes in the supply and demand relationship. When prices rise, supply increases and demand declines. When supply exceeds demand, prices fall, supply then declines and demand increases. When demand exceeds supply, prices rise.... This, then, is the cycle. During the process, commodity producers, managers, and consumers are in competition, and what is inferior is driven out by what is good. The circulation of production factors and the allocation and reallocation of resources are also realized in this competitive process. Activity in a commodity economy consists of this type of endless cycle, and this is what automatically maintains the balance between production and consumption. In a socialist planned commodity economy, every enterprise, including government and collective enterprises, is a commodity producer and management body which makes its own management decisions and which assumes sole responsibility for profit and loss.

Consequently, the majority of enterprise production and operational activities are guided by the market and what commodities are to be produced and in what quantity is decided on the basis of market signals such as prices. This is how the circulation of production factors and the allocation of resources are realized. The exception to this are a small number of natural monopolies, the most important public utilities, and commodity enterprises, which, through their production and operations, are linked to the national welfare and people's livelihood. Their production and operational decisions are not guided by the market but chiefly by government planning.

Third, with the price mechanism as the core of market mechanisms, market guidance is chiefly effected through prices and their changes. If we are to exploit the price mechanism and its function in guiding production, operations, and consumption, we must implement changes in pricing patterns. Having experienced 12 years of reform, more and more people now accept that price reform means making changes in pricing patterns. This mainly involves three aspects: (1) To meet the requirements for developing a socialist commodity economy, we must allow the formation of a large portion of commodity and labor service prices to revert to market transactions. By making the transition from a system of administratively set prices to a market pricing system, we will be altering our single form of planned pricing to one in which market pricing will be considered paramount. (2) To meet the requirements for exploiting the function of a market system in its entirety, prices must become the most important means of regulation instead of being used mainly as an accounting tool. To accomplish this, prices must circulate in the market uniformly, openly, and competitively. Blocking the flow of goods by localities and departmental monopolies must be broken, and unnecessary administrative interference abolished. (3) The pricing system must, as part of a relatively healthy market system, gradually be made rational to reflect both value and supply and demand relationships. It must form a mechanism which will be sensitive to and automatically adjusts to what tends to be rational. A pricing system includes both the prices for various types of commodities and for labor services as well as prices for various types of production factors. This is the broad definition of price. In changing our pricing patterns, what is most important is converting price-forming mechanisms and forming and perfecting a market-price system. The necessity and importance of price reform and reform of price-forming mechanisms and the necessity and importance of establishing a market-price system embody, in a concentrated manner, the necessity and importance of market-oriented reform.

Fourth, the deepening of reform lies in continuing to promote market-oriented reform. After more than 10 years of reform, market elements have little by little penetrated many aspects of our social and economic lives. At present, manufactured consumer goods, with the exception of a small number of important goods whose prices are set by contract or subject to rationing, are commonly bought and sold at negotiated prices. Marketing through an industry's own channels has grown from almost zero to account for

approximately 50 percent of sales, and free purchasing at large-scale enterprises accounts for approximately 80 percent of their retail sales. In 1989, there were 72,130 urban and rural market fairs. The transactions they conducted came to 197.36 billion yuan, accounting for close to one fourth of the total volume of retail domestic sales of commodities for the year. The capital goods market is also in the process of expanding. At present, about one half of the raw and semifinished materials acquired by large- and middle-sized government enterprises are bought on the capital goods market based on market prices. Almost the entire amount of raw and semifinished materials used by urban collective enterprises and township and town enterprises is bought on the basis of market prices. Markets for funds, labor services, real estate, technology, and foreign exchange are also gradually springing up. With respect to price formation, the proportion of prices fixed by the state for material goods and labor services declined nationwide to 50 percent in 1988. The remaining 50 percent of the prices were formed by the market or partly by the market. These figures clearly show that China's economic structure has entered a period where both the new and old systems are existing simultaneously and where the new is replacing the old. When two systems coexist, on the one hand, the rigid system begins to become more flexible and economic activity begins to get stronger; on the other, a number of contradictions and frictions arise and some confusion emerges. However, we cannot blame market-oriented reform for this. We should instead say that market-oriented reform has not been deep enough, that the market is not sound, and that the price signals are distorted. To a considerable extent, this is what is fostering confusion in the circulation sector. From now on, we must demand the deepening of reform and continued promotion of market-oriented reform in order to further develop a planned commodity economy.

We should point out that the market-oriented reform we are discussing here is by no means without planning guidance and macroeconomic control. Quite the contrary, owing to the inherent limitations and drawbacks of market mechanisms, market-oriented reform has to be combined with planning guidance and macroeconomic control. In a socialist society dominated by public ownership, planning guidance and macroeconomic control consist of at least the following three aspects: (1) Maintaining stability, including market stability, fiscal stability, and price stability. (2) Maintaining an overall balance of the macroeconomic proportions. (3) Providing feasible development strategies and industrial policies which are in keeping with China's national situation to guide the development of the macroeconomy and various industrial sectors. Obviously, in the new system, a large amount of microeconomic activity is mainly regulated by the market, whereas the macroeconomy has to be controlled and regulated by state planning. It is essential that economic development strategy be on the right track, that our choice of macroeconomic policies be the proper ones, that our economy be

developed on a stable basis, and that the overall proportions of the national economy be in balance. In an economic environment of this kind, as we promote market-oriented reform and at the same time do a good job of planning guidance and macroeconomic control, we can organically combine a system of macroeconomic regulation and control with the establishment of a market system and full use of market guidance to ensure stable development of the economy. This type of reform not only will not lead to economic liberalization, it will make the national economy even more prosperous and steadily advance it.

### **3. Price Reform Is a Main Route To Reform of the Economic Structure**

The goal of China's reforms is to establish a new structure based on a planned commodity economy. Economic structural reform is, in essence, market-oriented reform, and this makes price reform especially important—a main route to reform of the economic structure (another main route is enterprise reform) and even crucial to its success. Because the entire society and economy will be shifting to a commodity economy, prices will be the standard by which the effectiveness of all activity in a commodity economy is to be evaluated. Without price reform, price relationships will not be in agreement, the most important parameters of socioeconomic activity will lack norms, evaluation standards will not be accurate, market signals will be confused, resource allocation is bound to go wrong, and it will be impossible for microeconomic decision making to be efficient based on macroeconomic requirements. Therefore, the key to exploiting the role of market mechanisms lies in standardizing price signals and in requiring that prices be free as possible from administrative interference and trammels and that they fully reflect the extent of resource scarcity and the relationship between supply and demand. Only in this way can the effect of prices on the balance between supply and demand be fully exploited, can production efficiency be steadily improved, and the pattern and structure of consumption become rational.

It appears now that the reason price reform or changing pricing patterns are a main route to economic structural reform is chiefly because of the following:

First, the goal of economic structural reform is to establish a new structure based on a planned commodity economy, that is, to develop a socialist commodity economy. To do this, enterprises must become commodity producers and managers with decisionmaking power and be wholly responsible for profit and loss. They must become the main body of market activity. This should be accomplished through enterprise reform. Price-forming mechanisms must also be changed and price relationships made to agree so as to establish and strengthen the socialist market system and to encourage a smooth development of a commodity economy. This is certain to enable enterprise reform and price reform to jointly form the two main routes for promoting economic structural reform. If pricing patterns are not changed and the distorted pricing structure not reformed, it is possible to foresee difficulties

in developing market relationships, difficulties in gradually forming the various categories of markets, and the impossibility of society and the economy truly being organized on the principles of a commodity economy. At the same time, enterprises would be unable to develop competition with each other on a basis of equality and unable to vigorously improve the effectiveness of their economic activity and to conform to macroeconomic efficiency. In effect, it would be impossible to successfully develop a commodity economy.

Second, price reform is crucial to the success or failure of the whole of economic structural reform. The success of price reform means changing the entire array of economic operational mechanisms, and its successful development could speed up the pace of reform overall. But what is most important is that we avoid excessive risk. Its failure could lead to abandoning all that has thus far been achieved in the overall reform of the economic structure. Conditions required for price reform are fairly strict. For example, success can only be achieved in a relatively good macroeconomic environment. China's 12 years of reform has shown that expansive macroeconomic policies and inflation inevitably interfere with price reform, turning structural price adjustments and reform into price increases on a widespread and rotating basis and causing the return of parity prices, which were irrational to begin with, for example, as happened from 1987 to 1989. At the same time, following two years of success with improvement and rectification and the return of macroeconomic stability, price reform was able to take a qualitative step forward. For example, in 1990 there were more government measures to adjust prices and improve the pricing structure than since reform began. The total amount in adjusted prices came to more than 60 million yuan, yet this did not cause large price rises. Prices for commodities from the extractive industries and from the raw and semifinished materials industries increased 7.9 and 5.9 percent, respectively, significantly higher than the 2.5 percent increase in the price of manufactured goods.<sup>2</sup> This allowed the pricing structure to develop in the proper direction. In the last few years when macroeconomic relationships have been at a somewhat critical stage, some economists have concluded that there are serious difficulties in instituting price reform and that developing enterprise reform is easier. In fact, up to now there have been serious difficulties with enterprise reform. It has not been widely developed. The long-standing, big, and difficult problems such as only being responsible for profit and not being responsible for loss and having a short-term outlooks are hard to solve. In contrast to this, price reform has made big strides in the last few years. When calculated by the number of transactions, somewhat more than half of the goods and labor services for society as a whole are now at prices regulated or partly regulated by the market. The result has been a greatly invigorated circulation, an invigorated market, and more and more use of market mechanisms. Price reform is so important that many foreign economists often use it as a basis for judging the whole of economic structure reform. Each step forward in price reform signals a step forward in economic structural reform. Conversely, each step back in

price reform signals a step back in economic structural reform. Precisely for this reason, when promoting price reform, we must be careful and cautious, taking the safe course of action. We should not pin our hopes on a single success or single goal being reached. Taking small steps continuously is better than stopping and starting, and better than taking one step forward and two back. We neither want to let slip any golden opportunities nor blindly rush ahead. As much as possible, we want to reduce the costs that we pay for reform.

Third, price reform is deep-layered and of fundamental importance. It absolutely is not as some comrades would have it, a very shallow-layered reform. The crux of economic structural reform consists in restructuring. This means altering our economic operational mechanisms and readjusting the basis for our microeconomic ownership system. Neither should be overemphasized at the expense of the other. Neither can substitute for the other. This is why both price reform and enterprise reform are deep-layered reforms. The former is changing its operational mechanisms, and the latter is changing its structural framework. Price reform is at the center of replacing an emphasis on administrative coordination with an emphasis on market coordination. Without price reform there can be no changes in economic operational mechanisms, no market coordination, and no establishment of a market system. And without these things, there is no point in talking about shifting to a commodity economy. Obviously, this type of reform is not an unimportant shallow-layered reform. In addition, our goal in reforming the traditional economic structure is, in the final analysis, to improve economic efficiency and to improve resource allocation and microeconomic operations. Prices are an important lever in resource allocation. A rational price structure can improve resource allocation, and rational circulation can improve the structure of consumer demand. Prices are also a norm for evaluating the results of macroeconomic activity. Rational price signals can, through mutual competition, correctly lead various microeconomic main bodies to improve their economic efficiency. Consequently, changing pricing patterns and bringing price relationships into agreement through price reform have a decisive significance for optimizing resource allocation and improving efficiency of microeconomic operations. This shows the importance of price reform and how essential it is for shifting all economic work onto the track of improved economic efficiency.

#### **4. Administer Prices Macroeconomically, Allow a Large Amount of Flexibility in Prices Microeconomically**

The economies of socialist countries are generally run on the principle of combining economic planning and market regulation. But how do we embody this principle in the realm of prices? This is an issue that needs to be clear and definite when promoting price reform.

We believe that administering prices macroeconomically and allowing a large amount of flexibility in prices microeconomically is a specific form of combining economic planning and market regulation in the realm of prices.

Setting up a system in which a small number of important commodity and labor service prices are controlled by the state and the remaining large number of these prices regulated by the market is completely compatible with the goals and patterns of price reform. The government must administer (regulate and control) prices macroeconomically mainly to control the overall level of commodity prices and certain strategic prices (interest rates, wages, exchange rates). This is needed to stabilize the economy and to create the necessary basis for allowing a large amount of flexibility in prices microeconomically. On the other hand, only by allowing a large amount of flexibility in prices microeconomically and establishing a market price system can we ensure the price structure will be rational. This will gradually shift the economy onto a favorable course and help to take better advantage of the superiority of a socialist planned economy.

Following are the main points of the requirement that the government administer (regulate and control) prices macroeconomically:

First, the overall level of commodity prices and any changes in it.

An increase in the overall level of prices generally reflects the rate of inflation. At present some countries determine whether the growth in GNP is too high and whether basic stability can be sustained at the annual rate of price increases (increases controlled at 5 percent or below) and use their findings as two basic measures of economic stability and overheating. This is why socialist countries must regard regulation and control of overall price levels, the fight against inflation, and vigorously maintaining basic stability of overall price levels as an important task and, sometimes, as their paramount task.

Generally speaking, China's price levels are relatively stable. On the basis of the combined index for retail prices nationwide, they only increased 35.9 percent from 1950 to 1978, an average annual rise of 1.1 percent. Following reform, price levels changed greatly, with huge increases. However, the government, from the start, worked hard to control them. According to the combined index, there was a 107.66 percent increase from 1978 to 1990, an average annual rise of 6.3 percent. In 1988 and 1989, owing to a moderate inflation, prices increased 18.5 and 17.8 percent. This was the highest since the founding of the People's Republic (from 1960 to 1961, there was a 16.2 percent increase). Therefore, in the fourth quarter of 1988, the government began imposing a policy to improve the economic environment and rectify economic procedures, mainly to bring inflation under control. The effect was quite rapid. In 1990, retail prices nationwide only increased 2.1 percent compared to the previous year. This clearly showed that the government had achieved significant success in controlling overall price levels.

The methods the government has used to control overall price levels and maintain basic stability has differed from one economic structure to another. With a traditional structure, administrative means are chiefly used. Prices are frozen or partially frozen. Increases are not allowed. When

shortages occur, either rationing is imposed or people are permitted to line up in panic buying until supplies run out. This way, inflation is forced underground or hidden. It is an opportunity only for the narrow and small markets for consumer goods (mainly village fair markets) and for the black market. The prices there are amazingly high, sometimes double or even several-fold more than regular prices.

In a planned commodity economy, changes in overall price levels hinge on the state's macroeconomic policies. As long as the state implements firm fiscal and monetary policies which are inclined to be tight, which do not use inflationary methods to stimulate economic growth, which do not cause the economy to overheat, and which allow the growth in the money supply to conform with economic growth and economic monetization to meet monetary requirements, the economy should then be able to maintain stability and basic stability of overall price levels.

In a planned commodity economy, the government should control overall price levels, and it should also directly administer prices for a small number highly important industrial products and public utility fees that relate to the national welfare. These would be decided according to the law of values and would include grain prices, electricity fees, transportation charges, crude oil prices, the price for running water, and post and telegraphic charges.

Second, the most important price relationships.

These include price relationships between industrial and agricultural products, between basic products and manufactured goods, and between light and heavy industrial products. Rational price relationships are, in a large measure, equally beneficial to the economic activity of all trades and professions. It is on them that economic coordination is predicated.

Pricing systems of socialist countries which fix prices administratively are irrational, mainly because the prices of agricultural products and basic goods are inclined to be low. This is why, in some socialist countries, agriculture and basic industries have always been "bottlenecks" to economic development. Therefore, if price relationships are to be made consistent, the situation has to be altered to allow agricultural and basic industry sectors to earn an average rate of profit.

Third, interest rates, wages, and exchange rates—the strategic prices.

In a socialist planned commodity economy, interest constitutes the price of funds. Interest rates have a huge effect on the entire macroeconomic situation. International experience has shown that, if the price of funds is too low, in particular, if interest rates are lower than the rate of price increases, this is bound to restrict savings and increase the demand for funds, stimulate investment, make it easier for the economy to become overheated, promote inflation and further increases in the overall price levels, and even undermine economic stability. Conversely, overpriced funds are bound to encourage savings and restrict the demand for funds, cause a decline in total investments, possibly force the economy into a cooling off

period and create an economic depression, contain inflation or restore basic stability to overall price levels, and bring economic stability. Therefore, countries with developed commodity market relationships give priority to monetary issues in their macroeconomic policies. They treat interest rates as a important tool of macroeconomic regulation and, through their central banks, fix and adjust interest rates on second loans (or rediscount rates) as a means of regulating interest rate levels. This maintains and implements economic stability and creates a good environment for sound economic development and successful economic reform. It is generally believed that, for a country's interest rates to remain positive, nominal rates should be 2-4 percentage points higher than the rate at which prices are increasing. This is useful in balancing various beneficial economic relationships and, for that reason, rather desirable.

Wages are an important factor in the formation of product prices. In many countries, wages account for 40 and even up to 50 percent of net output value. Average wage levels are low in China. They generally account for only some 20 percent of net output value. However, changes in product costs still have a large effect. Following World War II, prices increased in many countries chiefly because they were driven up by wage costs. This made cost-driven price increases an important category in price rises. If we are to avoid wage costs driving up prices, we have to prevent wage levels from increasing too fast and prevent the rate at which average wages increase from exceeding the rate of increase for labor productivity. Maintaining relatively low wage levels still gives developing countries (including China) a competitive advantage in exports. Of course, the purpose of socialism is to improve living standards. Consequently, it is not feasible to keep wages too low. They have to be gradually increased based on production development and labor productivity. It is obvious that rationally fixed and regulated wage levels are without question important to maintaining basic stability in overall price levels and to gradually improving worker income and the standard of living.

Exchange rates between China's currency and foreign currency also must be carefully regulated and controlled by the state.

By controlling strategic prices as we have described, we can allow maximum flexibility for microeconomic prices for specific products and labor services. This will make prices fully reflect market supply and demand and is likely to prevent chaotic price and market conditions. We must recognize that, in a commodity economy, despite overall price levels being fairly controlled, the relative prices of different goods and labor services are likely to change from day to day. These changes reflect changes in technological levels and economic patterns, different growth rates of labor productivity, and different circumstances under which resources are utilized and the different changes in supply and demand. It is the changes in relative prices that signal producers and managers to promptly adjust their production and operations to meet demand. This provides

a better link between social production and public consumption and makes resource allocation more efficient.

#### Footnotes:

1. See *Zhongguo Tongji Nianjian (1990) (China Statistical Yearbook, 1990)* China Statistical Publishing House, August 1990, p 481.
2. See ZHONGGUO TONGJI XINXIBAO [CHINA STATISTICAL INFORMATION], 18 March 1991.

#### Analysis of Macroeconomic Situation, Solutions

91CE0731B Beijing JINGJI CANKAO BAO in Chinese  
23 Jul 91 p 4

[Article by Ma Jiantang (7456 1696 1016) of the Development Research Center of the State Council: "The Change of Mechanism and the Shift of Focus—Analysis of and Suggestions for China's Macroeconomic Situation"]

[Text] In the beginning of last year, while adhering to the principle of rectification and improvement, the central government properly adjusted the intensity of the macroeconomic policy. After practicing over 1 year, we should say that the results are obvious, the economy has picked up rapidly, and economic returns have somewhat increased. At the same time, prices are stable, and the market is brisk. This is the main stream of the economy. However we should also notice that the situation of low economic returns and serious stockpiling has not improved very much. Besides, some new problems have appeared. Therefore, we need to make a basic assessment of current macroeconomic situation.

#### The Appearance of "Four-High" Mechanism and "Short Circuit" Cycle

Since the rectification and improvement campaign, especially since the fourth quarter of 1990, the mechanism of China's macroeconomic movement (mainly the currency-demand cycle) has witnessed drastic changes—namely the appearance of the (four-high) circulation mechanism: high loan increase rate, high output value increase rate, high inventory increase rate, and high savings rate.

The high loan increase rate refers to the rapid increase of short-term loans. In the fourth quarter of 1989 China's banking system began to inject a large amount of currency into the sphere of production and circulation in order to solve the problem of fund shortage caused by the occupation of funds (as a matter of fact this is caused mainly by the fact that inventory has increased substantially because goods are not readily marketable), to alleviate the shortage of means of payment, and to maintain a definite rate of industrial growth. In 1989 new loans totalled more than 180 billion yuan—120 billion yuan alone in the third quarter. In 1990 new loans totalled 304.4 billion yuan, an increase of 101.263 billion or 47.6 percent. In the first four months of 1991, 45 billion yuan of new loans were issued across the country.

The high output value increase rate refers to the the rapid increase of industrial production since the fourth quarter

of 1990. The injection of the enormous amount of short-term loans has temporarily alleviated the shortage of the means of payment caused by stockpiling, thus supporting the rapid recovery of industrial production under the condition that products lack the ability to satisfy actual demands (namely the growth was "bought" with loans). Since the fourth quarter of 1990 industrial production has increased every month. Its growth rate was 12.7 percent in October, 15 percent in November, 14.5 percent in December, and 13.7 percent in the first quarter of 1991. The average growth rate of industrial production in the first four months of 1991 was 13.2 percent.

The high inventory increase rate refers to the amount of goods in stock which, instead of declining, is increasing rapidly. Because many products are not readily marketable and cannot satisfy actual demands, a very large part of the rapid increase of industrial production pulled by the injection of a large amount of loans has been transformed into the abrupt increase of inventory. Under the support of bank loans, a "short-circuit cycle" in which bank loans are used to support industrial production, increased industrial production causes inventory to increase rapidly, and bank loans are again used to support further industrial production—has appeared in China's macroeconomic life.

The high savings rate refers to the fact that a large part of people's income has been transformed into savings deposits. In the first quarter of 1991, the newly increased savings deposits of urban and rural residents totalled 77.86 billion yuan, an increase of 24.7 percent as compared to the corresponding period of 1990. At the end of April, the balance of people's savings deposits was 795.7 billion, an increase of 35.4 percent as compared to the corresponding period of 1990. The existence of the high savings rate enables banks to maintain the abnormal "short-circuit" cycle. Namely, industrial enterprises rely on loans to support production (instead of eventually selling their products) while commercial departments (including enterprises) rely on bank loans to "buy" products (instead of eventually making consumers buy the products).

Under a normal macroeconomic cycle, regulated by the inventory system, products produced by production department flow to the demand system (investment + consumption), and bank loans will be withdrawn from the demand system and put in the next round of reproduction process. Compared to the normal cycle, the abovementioned short-circuit cycle under the "four-high" mechanism has two weak links: one is that inventory cannot expand endlessly (namely it cannot permanently replace the demand system); the other is that banks cannot possibly support in a long run this kind of increase which cannot satisfy real needs. More importantly, after 10 years of reform, both the banking and inventory (commercial supplies) systems have found their own interests. So banks do not want to continue to provide support for the "short-circuit" cycle that has problems with capital turnover, neither does the inventory system want to purchase commodities that cannot be converted into cash.

It is necessary to point out here that there are many comrades who see only economic recovery and production

increase but fail to see that this recovery and increase are to a certain degree not pulled by the final conversion of products but induced by the middle demand which has increased as a result of the issuance of large amounts of loans. The middle demand which is divorced from the final demand is a false demand. When it accumulates to a certain degree, it will cut off the "short-circuit" cycle, resulting in another round of production stagnation and economic confusion.

#### **Changes of Urgent Issues and Solutions for Improving the Cycle**

Before 1989, especially the improvement and rectification campaign, the most urgent issue of China's economic life was inflation. In other words, the demand was too high as opposed to the production system, thus pulling prices to increase rapidly. Since the appearance of the "four-high" mechanism and the "short-circuit" cycle in 1990, China's urgent issue witnessed a drastic change. The most urgent issue now is not inflation, but the decline of economic returns. This is especially prominent in financial and banking departments. First, the entire "four-high" mechanism and the "short-circuit" cycle are supported by bank loans. A large amount of these costly loans are tied up. On the one hand they are increasing rapidly and banks must pay interest on savings deposits on a regular basis. On the other hand, given the slow turnover and the fact that a large amount of loans are tied up, the decline of banks' economic returns is to be expected. Second, due to their declining economic returns it is impossible for production departments to realize the value of their products while tying up a large amount of funds. But in order to maintain production, they cannot but continue to borrow money. As a result, interest and principle continue to increase, inventory expenses have risen sharply, and the per-unit product tax and profit delivery rate has plummeted. Third, due to low demand, the commercial supplies department has suffered from staggering costs including interest and principle payments. Plus the loss resulting from stockpiling, the loss of the entire commercial industry is not shocking anymore.

The appearance of the "four-high" mechanism and the "short-circuit" cycle is due largely to the clogged channels between production and demand. The only relevant measure is to encourage enterprises to do a good job in product update and structural readjustment. To achieve this objective, the most important is to seize the current favorable reform opportunity to promote the price reform, the enterprise structural reform, and the reform of the employment insurance and protection system.

#### **Using Relatively Favorable Market Situation To Further Price Reform**

The current serious stockpiling of China is a result of uncoordinated supply and demand structure which is caused by irrational product mix, industrial structure, and enterprise structure. To eliminate once and for all the irrationality of product mix and industrial structure, the critical measure is to change the irrational current price relations to enable prices to really reflect the supply and

demand of products and to bring into play the guiding function of price in the distribution of resources. Our experiences in recent years have proved that as long as we can control the aggregate demand as whole, readjusting prices will not cause price level to rise. At the same time, decontrolling prices will not cause great risks either. Therefore, we need to seize the current favorable opportunity of a larger inventory and make up our mind to decontrol the prices of commodities whose supply and demand are basically balanced while continuing to insist on the control of aggregate demand. Conditions for decontrol have in fact already ripened even for such basic products as coal and steel products. At least, we should be able to implement the dual-track pricing system.

#### **Promoting the Enterprise Structural Reform and Accelerating the Readjustment of Product Mix**

The basic reason for massive production and stockpiling and the lack of market is that enterprises have not become producers which assume sole responsibility for their own profits and losses and operate independently. Under the condition that enterprises are genuinely responsible for their own profits and losses, market-oriented enterprises would not produce goods that are not needed by the market. If they do, they would fail and go bankrupt amid cut-throat competition. Therefore, the key to the readjustment of product mix still is really pushing enterprises into the competition of market where the good survives and the bad is eliminated. To ensure that losses are accounted for and the bad is eliminated, the most basic is to reform the property right structure and management mechanism of state-owned enterprises. At present the state should be determined to shut down, suspend, merge, and transform those enterprises which have been mismanaged for a long period of time, whose products cannot satisfy demand, and which suffer from serious losses.

#### **Speeding Up the Reform of Social Security and Welfare System and Promoting the Rationalization of Labor Resource Distribution**

The reason that some enterprises which should go bankrupt and be eliminated cannot go bankrupt and be eliminated is that in China obtaining the right to social security and welfare opportunity is connected to the obtaining of labor opportunity. The bankruptcy of enterprises and the loss of labor opportunity also implies the loss of social security and welfare. So enterprises' suspension of production and bankruptcy cause too much loss to workers. If we want to encourage the system under which good enterprises survive while bad ones are eliminated, we must split the three-in-one system that integrates labor, social security, and welfare, so that the temporary loss of workers' labor opportunity will not affect their right to social security and welfare, thereby reducing the resistance to enterprises' suspension of production and bankruptcy.

#### **Improving the Credit System and Using the Counterfoil of Commercial Notes as the Security of Loans**

Along with the development of modern commodity economy, bank credit has become increasingly widespread. To reduce the risk of bank credit, bank credit

secured with the counterfoil of commercial notes has become increasingly popular. From now on China's bank credit should also gradually develop in this direction. An advantage of doing this is that we will be cultivating a main body of interest that supervises enterprises' activities. This will not only reduce the risk of banks but more importantly spur the readjustment of the existing amount of assets.

#### **Price, Cost of Living Increases in Large Cities**

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BAO in Chinese 29 Jul 91 p 1

[Article by Zhang Chaohuang: "Sharp Price Rises in Medium- and Large-Sized Cities; Employee Living Expenses On the Rise Each Month"]

[Text] The cost of living for workers and staff personnel in 35 medium- and large-sized cities during the first half of the year increased 6.9 percent compared with the same period in 1990 and was higher than last year's 3.4 percent increase for the same period. Retail prices for consumer goods climbed 5.1 percent, and service sector prices rose 23.6 percent. It is worth noting that employee cost of living increased more than 10 percent in 16 of the cities. In Shanghai, it was 16.7 percent, and in Beijing and Tianjin, it was 14.1 and 13.4 percent, respectively.

—The increases in retail grain prices were relatively large, while as a rule retail prices for sideline products were stable. Retail prices for foodstuffs during the first half of the year increased 4.5 percent compared with the same period in 1990. Because of the nationwide uniform upward adjustment of selling prices on 1 May, retail grain prices increased 16.4 percent, compared with the same period in 1990. The effect on employee cost of living was to increase the overall level 1.1 percentage point compared with the same period in 1990. The increase for June was 58 percent compared with the same month in 1990. The increase for retail price of fresh vegetables was 3.3 percent compared with the same period in 1990, which is not considered high. However, in June the retail price of fresh vegetables increased 29.4 percent compared with the same month in 1990. It estimated that the monthly increases during the last half of the year will tend to be high. The prices of meat, poultry, and eggs were relatively steady, declining 1.6 percent compared with the same period in 1990. The 0.5 percent drop in pork prices had a moderating effect on the increase in market prices.

—Retail prices for industrial goods remained steady with a tendency to rise. During the first half of the year, retail prices for manufactured consumer goods such as clothing increased 5.1 percent compared with the same period in 1990. Except for a 4.3 percent drop for cultural and entertainment items, the remaining categories all rose in varying degrees. For example, wearing apparel increased 5.4 percent compared with the same period in 1990, articles for daily use 5.9 percent, medicines and medical treatment articles 2 percent, building materials 1.8 percent, and fuels, which were relatively high, 65.5 percent.



—Prices in the service sector showed a strong tendency to rise. During the first half of the year, they increased 23.6 percent compared with the same period in 1990, and monthly increases have remained high without letup. The main reasons for this have been: first, a number of municipalities and cities have, since the beginning of the year, adjusted prices for buses, movies, bathhouses, and individual repairs; and second, individual municipalities and cities have been promoting housing renovations, and this has caused relatively large increases in service sector prices. For example, in June when Shanghai began housing renovations, rents increased 113.8 percent compared with May and service sector prices increased 8.3 percent compared with May.

### Price Bureau Chief on Price Policy

91CE0741B Beijing JINGJI RIBAO in Chinese  
9 Aug 91 p 1

[Report by Correspondent Zong Gan and Reporter Xu Han: "Price Bureau Chief Luo Zhiling Issues Statement; Stable Price Levels Prevent Inflation"]

[Text] Despite the large number of price reform measures issued by the state the first half of 1991, large increases in overall price levels did not occur. During the first half of the year, the combined index for retail prices nationwide increased only 1.8 percent compared with the same period in 1990. A few days ago, State Price Bureau Chief Luo Zhiling [5012 2784 7881] issued a statement to JINGJI RIBAO reporters on the price situation during the first half of 1991.

Luo Zhiling said that prices during the first half of the year were relatively stable but that we still face the problem of how to stabilize prices in a vigorously developing economy. On the one hand, maintaining basic stability of prices is needed for a stable market, stable society, and a stable overall situation. It is an important condition for vigorous development of the economy and for promoting reform. On the other hand, developing production and vigorous development of the economy also constitute the bases for stabilizing prices. There has to be production development, an abundance of goods, and price stability before there are material guarantees. What must be stressed is that stable prices do not mean rigidly administered prices. They mean stable overall price levels and preventing inflation from occurring. Stable prices are linked to rational adjustment of prices. If prices are fixed for a long period of time and do not change, the irrational situation between goods and prices will become increasingly serious. This is detrimental to the balanced development of production and circulation. Ultimately, it will weaken the material bases for stable prices. Therefore, the state must readjust the pricing structure in a planned manner and gradually allow flexibility with certain prices. This would help regulate supply and demand relationships, fix prices according to the quality of products, promote technological progress, allocate resources rationally, develop production, invigorate circulation, and guide consumption.

Prices are important levers and means for distributing economic benefits. Using price levers requires that the state, the enterprise, and the individual each benefit. The key lies in how well price reform is handled and the extent to which prices are regulated and controlled. They cannot be rigidly administered with too much haste, nor least of all cause confusion.

In the past several years when inflation was intensifying, the most important economic task was controlling the extent of price increases. During 1990 and the first half of 1991, inflation has been effectively controlled. Retail price increases have been significantly reduced, the market is relatively stable, the supply of goods is adequate, and central and local authorities have taken every opportunity to constantly readjust a number of commodity prices which were obviously irrational. Experience has shown that, when the market is stable and price increases are relatively low, we can strengthen reform, utilize price levers, and encourage vigorous economic development. When the market starts to fluctuate widely and the tendency exists for price increases to gradually become more abrupt, then controls must be applied where needed and strict measures to control price increases brought out.

Luo Zhiling pointed out that, to invigorate medium- and large-sized enterprises in a coordinated manner, we must, from now on, gradually adopt the following price measures:

First, further implement decision-making power on fixing prices granted by the state to enterprises. Along with the phased-in results from improvement and rectification and assuming that overall price levels are controlled, enterprises should be allowed the flexibility needed to administer prices. At present, they must apply to pricing departments to fix prices or gradually cut back on the products whose prices they want to fix so that controls on the price differences will be gradually readjusted. With the promulgation of the new list on price administration division of labor, we must, from now on, make even more explicit the pricing authority and obligations of enterprises and genuinely put into effect the decision-making power on fixing prices granted them by the state.

Second, gradually solve the problem caused by dual track pricing for capital goods by raising prices for energy, raw and semifinished materials, and transport and communications in a planned and step-by-step manner. This would create fair and sensible price competition among medium- and large-sized enterprises.

Third, coordinate the activities of "The Year of Quality, Variety, and Efficiency" and promulgate methods to implement higher prices for higher quality light industrial products as a means of encouraging and supporting greater enterprise flexibility and their production of new varieties and higher quality products.

Fourth, improve economic efficiency by having pricing departments, through fixed-point contacts and the establishment of information networks, better understand the problems of medium- and large-sized enterprises, develop



advisory services which focus directly on these problems, and guide enterprises in strengthening the administration of internal cost accounting and pricing programs.

### **Agriculture, Industry, Service Sector Develop Unevenly**

91CE0741C Beijing ZHONGGUO TONGJI XINXI  
BAO in Chinese 29 Jul 91 p 1

[Article by Guo Shou: "GNP Increases at Steady Pace; Development of Three Categories of Industry Still Uneven"]

[Text] In the first half of 1991 GNP reached 820.7 billion yuan nationwide. If the effect of price factors are considered, this represents a 6.1 percent increase compared with the same period in 1990. Although overall growth rate has increased, development for the various industries is uneven.

—In agriculture, the primary industry, the added value was 183.8 billion yuan. Compared to the same period in 1990 and based on comparable prices, this was a 1 percent increase, the lowest increase in the last several years. During the first half of 1991, the rate of growth for agricultural added value fell back after a rise. A major reason for this was that, at the time of the wheat harvest, some regions experienced torrential rains with flooding and waterlogging.

—The growth rate for secondary industries [manufacturing, mining, construction] has picked up rather rapidly, changing the slow and hesitant situation in industrial growth since 1989. Based on current prices, total volume of added value for secondary industries came to 406.4 billion yuan, an 11.9 percent increase compared to 1990 and a growth rate of 9.6 percentage points higher than for the same period in 1990, bringing it into a normal range. The main reason the growth rate for secondary industries has picked up is because of the huge increases in the growth of manufacturing and building. Manufacturing added value during the first half of 1990 increased 2.5 percent compared with the same period in 1989. Owing to the improved situation in industrial production in 1991, added value increased 12 percent January-June, 9.5 percentage points higher than the same period in 1990. Because of increased investments in fixed assets in the building industry, in particular because of the huge increase in fixed asset investments under ownership of the whole people, which constitute more than one half of fixed asset investments nationwide, added value increased to 10.6 percent in 1991, up from a 0.3 percent decline in 1990. With the one positive and the other negative, this was an increase of 10.9 percentage points compared with the same period in 1990. The main reason the GNP growth rate picked up during the first half of 1991 was due to the speed at which added value for the secondary industries grew during that period. GNP grew 5.7 percentage points because of growth in secondary industries.

—The growth rate for tertiary industries [service industries] increased after having declined. As part of GNP for the first half of 1991, added value of tertiary industries came to 230.4 billion yuan. Based on comparable prices and compared with last year, this was an increase of 0.7 percent and compared with 1990's negative increase of 0.8 percent, a rise of 1.5 percentage points. Trade and catering services have been the tertiary industries whose growth rates have picked up the fastest. The main reason the growth rate of tertiary industries has moderated is because added value for the financial industry suffered an excessive fall after a rise owing to a reduction in net income. The growth rate for the financial industry during the first half of 1991 was 15.4 percent, a rate reduction of nearly 1 percentage point.

### **Price Analysis by State Price Bureau**

91CE0741A Beijing JINGJI RIBAO in Chinese  
8 Aug 91 p 1

[Article: "State Price Bureau Analyzes Prices for First Half of Year, Estimates that Increases for Entire Year Will Be Lower Than Planned"]

[Text] All items subject to planned price adjustments for the first half of 1991 are now out. With this in mind, we find that, from January through June 1991, retail prices have, in comparison with the same period in 1990, increased an average of only 1.8 percent. The State Price Bureau estimates that, for the second half of 1991, price increases will tend to rise slowly and that overall retail price levels for the year as whole will rise less than the planned control targets.

During the first half of 1991, the state raised prices of certain agricultural products, light industrial products, and heavy industrial products and certain other fees and charges. Obvious structural changes characterized price level changes for the first half of the year. This was evidenced by relatively high increases in prices fixed by the state and basic stability of prices regulated by the market. Comparing June 1991 consumer retail prices with those at the end of 1990, we find that prices fixed by the state increased 17 percent, state guidance prices 1.1 percent, and market regulated prices 0.2 percent. Beginning in October 1988, the price index for the economically sensitive market fairs showed a negative increase for 21 successive months. While there were controlled increases for prices within the plan for industrial capital goods, prices outside the plan fluctuated but were basically stable and "dual track" price differences narrowed significantly.

Development between regions was not balanced. Increases in urban prices were high. The effect of structural adjustment of prices on cities and towns, especially on larger cities, was relatively large. Comparing January-June 1991 with the same period in 1990, we find that overall retail price levels in 35 medium- and large-sized cities rose 5.1 percent. This was 3.3 percentage points higher than the average increase in prices nationwide. In June, the group's three municipalities, Beijing, Tianjin, and Shanghai, had, compared with June 1990, increases of 9.2, 10.6, and 15.7

percent, respectively. Increases in the price of services were even higher. Comparing January-June 1991 with the same period in 1990, they rose 23 percent in the 35 cities, 14 percentage points higher than the average increase for the country as a whole. However, this was mainly the effect of state-adjusted prices. In April, the tendency for these prices to increase began to abate somewhat.

Prices reflect the overall state of the national economy. From one aspect, price changes for the first half of the year show that economic activity in China is basically normal at present. The main reason prices have as a rule been smooth and steady for the first half of year is: One, aggregate supply and demand were basically in balance, the money supply during the first half of the year was more or less normal, and the fiscal situation stable. Two, with summer grain yields approaching those of last year, the agricultural production situation is still good. In addition, the relatively large reserves from bumper grain harvests for the past two years have had a large stabilizing effect on the price of foodstuffs this year. The "food basket projects" which governments at all levels have been vigorously promoting for many years are now showing results, and the supply of sideline products has been fairly good. The production of such commodities as sugar, live hogs, and fresh eggs has been relatively good. These all contribute to stable sideline product prices. In the first half of 1991, they only increased 1 percent. Three, consumer behavior was normal, there was an increased propensity to save, and market demand was normal. Four, price regulation and control that were implemented were economically appropriate.

#### **Economic Journal To Change Format, Frequency**

*HK0609123591 Beijing RENMIN RIBAO in Chinese  
1 Sep 91 p 1*

[Report: "SHICHANG BAO To Change Page Layout Next Year"]

[Text] Beijing, 31 Aug (RENMIN RIBAO)—Beginning January 1992, SHICHANG BAO [Market Journal], founded in 1979 and the country's first economic journal printed in color, will have three issues per week instead of two, and the number of pages will be changed from eight to four.

Today's pilot issue of the changed SHICHANG BAO pointed out that the change in layout followed this principle: Uphold direction, maintain characteristics, broaden perspectives, and bravely seek innovations.

After changing its layout, SHICHANG BAO will increase the volume of information, including pages on important market information, market news, observations and explorations, overseas markets, weekend finance, and columns that are welcomed by readers will be preserved. Some new columns such as "Authoritative Figures on the Market," "Special Features From the Street," and "Commodities Information" will be added. After the changes in page layout, SHICHANG BAO will be printed every Tuesday, Thursday, and Saturday, for distribution inside and outside the country.

#### **Sources, Remedies for Local Protectionism Defined**

*91CE0762A Beijing JINGJI LILUN YU JINGJI  
GUANLI [ECONOMIC THEORY AND BUSINESS  
MANAGEMENT] in Chinese No 4, 28 Jul 91 pp 67-69*

[Article by Li Shihua (2621 0013 5478), Central Committee Party School Politics and Economics Office: "Analysis of Local Protectionism"]

#### **[Text] 1. Reasons for Local Protectionism**

China's original form of organization was shaped during the final phase of the First Five-Year Plan. It was a highly centralized planning system in which administrative coordination was primary. Such a system not only stifled local initiative, but also violated the objective requirement that a huge system should have level-by-level management. It exceeded the performance capabilities of the central government, so unavoidably policy mistakes were made.

Since 1978, China has conducted economic system reform along the decentralization of authority line of thinking, simultaneously delegating administrative and economic authority to both local governments and enterprises. The result of this decentralization of authority has been to bring into being an economic main body made up of local governments and enterprises in combination with the central government that is plural in form.

Although this decentralization of administrative and economic authority has advanced development of regional economies, the failure to clearly define the division of authority among the central government, local governments, and enterprises has resulted in local governments' retention of much of the authority that the central government delegated to enterprises.

This "inflation" of local government authority, plus the weakening of the limitation mechanism, has produced the following two consequences: First, as the main investment body, the local government stimulated an expansionist impulse in regional economic development, thereby spurring regional economic growth. Second, as the main regional beneficiary, the local government was extremely enthusiastic about pursuing regional interests and dividing up the regional pattern of industry, thus making local protectionism possible. Further, because of the existence of the factors named below, local protectionism developed steadily and became increasingly serious with the passage of time.

First, the irrational price structure distorted regional interests. Under the traditional system, which was based on a spatially reversed, slanted distribution of resources and technology in the economy, China set up a regional division of labor pattern in which resources (agricultural products and mining, energy, and raw or processed materials industries) were located in the central and western parts of the country, and processing and manufacturing industries were located in the eastern part of the country. For the past 40 years, no major changes in this pattern of labor distribution have taken place. As a result of the price

scissors between energy, raw and processed materials, and primary products relative to processed manufactures, the eastern part of the country obtained not only a large amount of value (profit) from the transfer at unfair prices of energy, raw and processed materials, and primary products from the central and western parts of the country, but when the eastern part of the country resold manufactures to the central and western parts of the country, that part of the value (profit) that the western part of the country created was carried to the eastern part of the country. This resulted in a double erosion of benefits in inland provinces while the coastal provinces and cities gained double profits from it. Because of this difference in the regional make up of industry, distortion of the price structure gave rise to distortion of regional benefits.

Second, slanted regional development policies produced unfair competition among different regions. Following the Third Plenary Session of the 11th Party Central Committee, and particularly after the advent of the 1980's, China began to change its former "balance for balance's sake" development policy. It shifted the economic pattern and the investment focus to eastern coastal areas in a regional development policy that was tilted toward the eastern part of the country. This included a tilt in investment policy. Statistics show a 50.6 percent state investment in eastern coastal areas during the Sixth Five-Year Plan, an amount greatly exceeding the 40.6 percent of the period 1953 through 1980. In 1987, a respective total investment of 197.438 billion, 89.971 billion, and 50.045 billion yuan in the eastern, central, and western regions of the country amounted to a respective 56.12, 25.51, and 14.2 percent of total national investment. In addition was a tilt in foreign exchange retention policy, a tilt in policy regarding amounts to be remitted to the treasury, and a tilt in currency issuance policy. To a certain extent, these measures were not instituted in the form of new systems or transformation of mechanisms but rather through slanted preferential policies. The result was that the eastern parts of the country gained visible or invisible excess development benefits in comparison with other regions of the country, thus creating a competitive pattern among regions whereby equivalent effort did not yield equivalent returns.

Faced with a distortion of regional returns and an unequal competitive environment in regional development, local governments having independent rights and interests were bound to take various actions to maintain those rights and interests. Moreover, it must also be realized that the level-by-level fiscal system caused an attendant increase in local region's fiscal revenues to the extent that the region's economic returns increased. The development problems that each region faced did not occasion revival of a sense of crisis. Not only did government at each level have its own special interests, but it also carried the burden of developing the local economy. Therefore, both rapidly developing areas, which wanted to protect their dominant and leading positions, and slowly developing areas, which wanted to avoid an increase in the matai [7456 1132] effect, employed the administrative powers that they possessed as managers of the economy to set up blockades

against other regions, thereby causing each region to pursue its separate development, and to practice its own local protectionism.

## 2. Local Protectionism's Impediments to Economic Development

**Impediment No. 1: Local protectionism resulted in market operating standards per se to come under administrative regulation, which hampered the founding and development of a unified nationwide market.** The building of a unified nationwide market is an objective requirement for a socialist planned commodity economy. Moreover, the building of a unified market requires not only equal opportunity, but also requires the elimination of blockading and monopoly. However, when local protectionism exists, to pursue their own interests to the maximum extent and prevent the "flow of profits elsewhere," local governments not only employ normal techniques, but also use their administrative authority to impose barriers and set up obstructions for the purpose of blockading markets that prevent the outflow of local resources in great demand, and prevent the entry into their territory of competitive products from elsewhere. They also place various kinds of limitations on enterprises' sale of their excess means of production that are in great demand. The result is repeated outbreaks of "major warfare" to get resources. Furthermore, once local protectionism begins, the amount of goods that goes through open local business and materials department channels declines, while the amount of goods that goes through various small retailers increases. Not only does this raise the price of some commodities, but it also distorts and deforms the way in which commodities flow in society. The result is that black markets and gray markets become commonplace and open. Clearly local protectionism is a severe impediment to market development.

**Impediment No. 2: Local Protectionism Leads to a Loss of Relative Benefits That Seriously Impedes Coordination of the Production Pattern and Optimum Allocation of Resources.** Local protectionism is bound to be a complete system within itself in which every level from the province to cities to counties seeks to be "large and all inclusive," and "small and all inclusive." This stems not only from nonsocialization ideas, but also from real difficulties finding help when markets are chopped up, their being no choice but to resort to self-sufficiency. As a result, redundant recommendations, ill-advised imports, an extensive form of enlarged reproduction, and efforts to be self-contained on a small scale are scarcely avoidable. In addition is the irrational price system, which forces resource-short provinces and regions (particularly provinces and regions in central and western China) to intensify efforts to increase the degree of processing of their primary level resources and products as a means of getting out of the unfavorable position in which the regional division of labor system places them to escape the cycle of low level regional economic growth. This places the emphasis in merchandise trade on shipments of medium processed products and completely finished products to acquire the formerly lost "double profits." To increase

their returns, provinces and cities (particularly east coast provinces and cities) in which processing industries are fairly well developed, which are keener about expanding their processing industries, even resort to a bad cycle whereby they import raw materials, process them, and then sell them back to inland areas, thereby creating reverse competition with central and western parts of the country. The result of the above double development is not only to create imbalance between the national supply structure and demand structure, but also to cause a situation of simultaneous shortage of resources and an oversupply of manufactures, simultaneous unused production capacity and shortages, and even a relative loss of returns for all regions. As a result the benefits of scale, benefits from structure, and benefits from the organization of key elements in production showed sustained decline, seriously impeding, in turn, coordination of the production pattern, and optimum allocation of resources.

**Impediment No. 3: Local Protectionism Makes Readjustment of Inventories in All Industrial Sectors Tougher Thereby Delaying Implementation of Macroindustrial Structure Readjustment Policies.** As the economy develops, the industrial structure will steadily change from a low to a high level, meaning a readjustment of inventories which serves as one of the main ways in which to readjust the industrial structure. Inventory assets are the basis for current productions; thus, they are the key to readjustment of the industrial structure. The structure of China's inventory assets is irrational. Not only are three-dimensional returns lacking, but a low level structural trend exists as well. Only through reallocation of key inventories can the country's industrial structure tend toward rationality. However, because of the existence of local protectionism, if industrial structure readjustment policies that the central government has drawn up are consistent with the partial and local interests of a region, they will be implemented without a hitch. Conversely, policies will depart from their intended objectives during implementation, making industrial structure inventory readjustment rigid.

**Impediment No. 4: Local Protectionism Gives Rise to a Regression in Disguised Form of Excessive Administrative Interference in the Traditional Economic System, and Weakens Enterprise Vitality.** The vying for resources that local protectionism causes, makes enterprises unable to select and optimize their investment structure on the basis of market trends and prices of key input factors. Instead, they must rely more on local government intentions and the principle of looking after themselves. When the rise in prices of inputs exceeds enterprises' own ability to bear and digest them, enterprises have no choice but to seek help from the local government, to seek subsidies, or ask to raise the price of their products. However, in the selective structural price readjustment process, it is those in an area who raise prices first that get the earliest and the most benefit. Thus, all local governments use prices as their salient in a quest for a strong point to sustain the shared interests of local governments as a means of safeguarding their local interests. Moreover, a rise in product prices causes a general rise in price levels that results, in turn, in

increasing enterprises' cost burden. As a result, energy-saving, potential-tapping, transformative, and innovative measures that enterprises have taken to increase their ability to cope and to hold down increases in costs cannot produce the expected results. Thus, enterprises' vitality is weakened so they have no choice but to turn to the government. Consequently, as a concomitant to state delegation of management authority and a rise in local government zeal is a regression, to a certain extent, to the traditional system of excessive administrative interference in the economy.

### 3. Various Measures To Eradicate Local Protectionism

The key to the complete eradication of local protectionism lies in the adoption of effective remedies in improving the economic environment and rectifying the economic order, and in furthering reform, thereby standardizing government actions and clarifying government functions for the creation of a relatively fair external competitive environment for regional economic development. These main remedies are as follows:

#### (A) Furthering Administrative System Reform, Regularizing Local Government Actions, and Improving Enterprises' Position As Main Economic Bodies.

Simultaneous with implementation of a level-by-level fiscal system and the delegation of central government authority must come the building of a strict system of budgetary laws and regulations, the powers and functions of local governments at all levels set by laws and regulations for a reduction in the direct administrative interference with enterprises by governments at all levels. Most important is the need to increase enterprise reform to perfect their administrative mechanisms to make them market oriented, and seek survival through competition for the gradual regularization of a method for dividing up authority under macroregulation and control in which the main interest bodies that are the central government, local governments, and enterprises co-exist. The key problem here is that in the division of authority, the focus must be first on enterprises to enable enterprises truly to become relatively independent economic entities having autonomy in operation and responsibility for their own profits and losses, thereby truly dissolving the administrative link whereby enterprises are subordinate to local governments. For the present time and for a long time to come, the main way of achieving this will be through perfection and development of the enterprise contract management responsibility system. However, the enterprise contract system has still not freed itself entirely from administrative management regulations and restrictions that governments impose on them, so it is still just a mandated management system; thus enterprises cannot really exercise autonomy in operation. In this regard, it is also necessary for enterprises to have a certain amount of equity while adhering primarily to a system of public ownership so that enterprises can truly be autonomous in operation and be responsible for their own profits and losses. One conceivable plan is to split up state ownership, enabling the state to retain "ultimate ownership rights," while enterprises get "juridical person ownership rights,"

while also finding an organizational form for realizing this requirement. The share system appears to be such a form. During the Eighth Five-Year Plan period, legislation for share system pilot projects should be diligently summarized and perfected for the purpose of standardizing it actively, and creating conditions for its spread.

**(B) Gradual Price System Reform, Straightening Out the Price Ratio Between Raw or Processed Materials and Processed Products, and Demolishing the "Two Track System" for Prices**

The state must seize the opportunity that the economic climate and specific financial circumstances permit to raise the prices of energy, raw and processed materials, and primary products. Price system reform requires the creation of a relaxed economic environment, which requires maintenance of overall balance between overall demand and overall supply in order to set and abide by the three warning lines of investment growth rate, consumption growth rate, and currency growth rate as means of guarding against economic overheating. Only when supply and demand are substantially in balance can the market competition mechanism play a role, and only then can the country's prevailing "two track system" for prices be dismantled. The "two track system" is an outgrowth of the period of change from the old to the new system, and it has played a positive role in the development of the nation's economy since reform of the economic system. Nevertheless, were it to be made permanent, it would certainly bind reform hand and foot, and it would also intensify the "search for leases" in all regions with the result that price signals not only would be unable to be a regulation device for the allocation of the region's resources, but might even become a reverse regulation lever. Only by changing the "two track system" to a "one track system" to make a single channel of the dual channels for the allocation of materials, changing double track prices to single track prices can the accuracy of price signals and the transparency of the economic operating mechanism be improved. Thus, all regions will be able to depend on the principle of comparative benefits based on rational price signals to establish on the basis of equal competition a labor area division of labor and international relations of equality and mutual benefit. Unless the "dual track system" is eliminated, rotting out local protection will be very difficult.

**(C) Reform the Fiscal System, Build a Limitation Mechanism That Is Consistent With Local Dynamics.**

Readjustment of benefits between the central government and local governments is required first. The central government must enter exchange taxes that are closely related to output value and speed as revenue, and contract to local government income taxes that are closely related to profits and returns. In this way increase in the central government's financial revenues can be assured, and local governments can be induced to invest in basic industries, thereby eliminating the conditions that create local protectionism. There must be a step-by-step transition from fiscal contracting toward a tax sharing system. This is a

fundamental measure for building a relationship of balanced benefits between the central government and local governments, and between one local government and another. The essence of the tax sharing system lies in the use of commodity economy principles to define the central government and local government receipts and disbursements authority, keeping the central government and local government strictly separate, each collecting different kinds of taxes and each having an independent tax collection and management organizational system to assure that both will be able to gain relatively stable sources of taxes for genuine achievement of "single level political authority, single level control over economic and social undertakings, single level financing, and single level budgeting." This can effectively change clashes of interest between local governments and the central government in contracting division percentages, and in setting base figures, and it can also weaken the local government ownership system. Once the tax distribution system has been put into effect, the central government must set up regional development funds for use in coordinating regional relationships and guide regional actions to make them consistent with overall national goals.

**(D) Use of Economic, Administrative, and Legal Methods To Enhance State Macroregulation and Control Functions in Adjusting the Pattern of Returns Between One Region and Another**

(1) Change the regional development policy that tilts purely toward the east coast to a coordinated-tilt type regional development policy. The coordinated-tilt regional development policy would still emphasize key projects, providing a definite amount of tilt in the industrial structure, i.e., not being preferential to any and all industries in coastal provinces and cities, but rather tilting investment only to high technology industries and foreign exchange earning export industries whose development is accentuated. At the same time, investment would also be tilted toward basic industries such as agriculture, energy, raw and processed materials, communications and transportation whose development the state wants to emphasize. (2) Reduction of direct investment in east coast areas largely through the use of fiscal and financial levers and by improvement of the market mechanism to enable the sustained and steady growth of their potential. (3) Increase in the percentage of important raw and processed materials to provinces and regions having resources to make up for their loss of returns resulting from shipments at plan prices. (4) Full implementation of a taxation system for key production elements, properly readjusting certain tax rates to regulate the distribution and redistribution of national income. (5) Continued development of lateral economic links to organize common regional markets and move ahead with regional integration. The state must provide preferential encouragement in the form of credit and taxes while simultaneously taking a firm hand in drawing up laws that protect investment that cuts across regional lines and for other economic and technical cooperation. By way of promoting deeper lateral links, provinces, municipalities, and regions concerned can develop

various types of regional integration. They should coordinate interregional industrial policies and enter into dialogues, draw up operating rules for regional markets, and coordinate rights and interests in all regards to promote the growth and development of regional markets.

#### **Statistics Bureau Reports Stable Prices; Sales Up**

*OW1709200791 Beijing XINHUA in English  
1455 GMT 17 Sep 91*

[Text] Beijing, September 17 (XINHUA)—Latest information from the State Statistics Bureau reveals that in August prices in large and medium-size cities in China remained stable while market sales climbed.

The cost of living for urban dwellers in 35 cities in the country climbed merely 0.1 percent in August as compared with the same period last year. Prices in flood-hit cities Nanjing, Hefei, and Wuhan declined.

The prices of vegetables, fruits, and eggs in these cities saw declines, and grain prices in flood-hit areas remained stable. Prices for pork, medicine, and fuels went up slightly.

The retail sale volume in August totaled 73.8 billion yuan, a 12.9 percent increase compared with August 1990. The supply demand of rural markets increased and their gap with cities was reduced.

The market sales in Jiangsu, Anhui, and other flood-hit areas returned to normal, and the sales of grain and eggs increased while the sales of cloth, underwear, and garments remained stable. Television sets, recorders, and washing machines sold less briskly.

### **PROVINCIAL**

#### **Tangshan Attracts Investment From Taiwan**

*OW1109105791 Beijing XINHUA in English  
0632 GMT 11 Sep 91*

[Text] Beijing, September 11 (XINHUA)—The Tangshan city government in north China's Hebei Province has worked hard to attract Taiwan funds in recent years.

Thus far the city has approved 22 Taiwan-funded enterprises, half of which are in operation, with a total investment of 47.1 million U.S. dollars, the PEOPLE'S DAILY [RENMIN RIBAO] reported today.

During the period the city government improved infrastructure facilities for transportation; two new berths at the Tangshan Port with 15,000 tonnage capacity each are expected to be opened at the end of this year, and a third berth with 35,000 tonnage will be completed in 1993, the paper said.

Also, a new computer-controlled telephone system with 25,000 lines permits direct dialling to 519 Chinese cities and 82 countries.

#### **UNDP Supports Shandong Project**

*OW3009130191 Beijing XINHUA in English  
0712 GMT 30 Sep 91*

[Text] Jinan, September 30 (XINHUA)—An economic and trade personnel training project for Shandong and Jiangxi provinces was launched yesterday in the capital of Shandong.

The project is supported by the U.N. Development Program (UNDP) jointly with the Chinese Government.

For the project the UNDP will give the two provinces 1.6 million U.S. dollars gratis. The fund will be used for overseas training, inviting leading economic and trade experts, scholars and professors to the two provinces and buying modern teaching facilities.

### **FINANCE, BANKING**

#### **Income Rises 3.8 Percent Annually Since Reform**

*OW1109174991 Beijing XINHUA in English  
1221 GMT 11 Sep 91*

[Text] Beijing, September 11 (XINHUA)—The average increase rate in real income of employees in China in the past 12 years has been 3.8 percent annually, after allowing for price rises.

According to statistics from the Ministry of Labor, the average personal money income of employees increased from 668 yuan in 1979 to 2,140 in 1990.

The increase rate is ten times as high as it was between 1952 and 1978, when the rate was 0.38 percent.

According to Shan Chunchang, a ministry official in charge of income affairs, the personal income structure of employees has been greatly changed in the past ten years.

The most obvious characteristic of the change has been the rapid increase in bonuses, subsidies and other forms of welfare payments.

The proportion of standard salaries and wages in the total income volume of employees in the country dropped from 85.7 percent in 1978 to 54.8 percent in 1989.

#### **Communications Bank Opens Branch in Hainan**

*OW1809041791 Beijing XINHUA in English  
0234 GMT 18 Sep 91*

[Text] Beijing, September 18 (XINHUA)—With the approval from the People's Bank of China, the central bank of the country, the Communications Bank of China has opened its branch in Hainan, an island province in south China and the country's largest special economic development zone.

Today's PEOPLE'S DAILY quoted Xu Shiquan, the new branch's acting president as saying that his branch will go all out to help the province develop export-oriented economy and develop superior industries.

He said that his branch will give its priority to the province's sectors such as tropical crops processing, marine farming, petro-chemical industry, tourism, real estate and high technology.

It will also take part in the province's industrial development of large pieces of land, the acting president added.

## MINERAL RESOURCES

### World's Richest Selenium Deposits Discovered in Hubei

OW1509090291 Beijing XINHUA in English  
0848 GMT 15 Sep 91

[Text] Wuhan, September 15 (XINHUA)—Chinese scientists have recently discovered that the western part of Hubei Province in central China is the biggest owner of selenium resources in the world.

The selenium content in local ores is 11 times the previous world record, while selenium content in local soil and crops also ranks first in the world.

Selenium has been determined by the World Health Organization as one of the 14 basic elements needed by the human body, but in fact, about 40 countries in the world and 72 percent of China's counties are found lacking in the element.

Lack of selenium has been found to cause many serious human diseases. Therefore, study of the element has been given great attention all over the world in the past decades.

The first high selenium area, about 2,100 sq km, was discovered in the Yuexi Autonomous Prefecture in Hubei in the 1960s, and scientists from several central and local research departments have conducted further research in the area in the 1980s.

They found in the area that the daily consumption of selenium for each local adult in some 240 villages is five to 20 times higher than the amount required by a grow-up.

The reportedly rich selenium reserves in west Hubei have drawn the attention from many domestic and overseas experts. They believe that the exploration of the resources will bring about remarkable economic and social results.

## INDUSTRY

### Statistics Bureau Releases Industrial Production Figures

HK1809034891 Beijing CHINA DAILY in English  
18 Sep 91 p 2

[By staff reporter Wang Xiangwei: "Statistics Point to a Development Economy"]

[Text] The latest government statistics showed that the national economic development in August continued to rise at a steady clip but inflation also sustained its strong growth rate in urban areas.

Faster paces in industrial production, investment in fixed assets, and retail sales were reported with a continuous surplus in foreign trade in favour of China, according to the State Statistics Bureau.

Industrial production shifted into a higher gear as the August industrial output value jumped 14.6 percent over the same month last year to 191.5 billion yuan, 1.1 percentage points higher than the average pace of 13.5 percent over the first seven months of this year.

The daily output value rose 3.1 percent over last month, the second highest growth rate since 1979.

Light industrial output increased 14.9 percent while heavy industrial output rose 14.3 percent.

State-run industries generated a 10.5 percent rise while rural industries registered a 27.3 percent increase, 6.1 percentage points higher than last month.

But bureau economists said that stockpiles had continued to pile up in August and called for a slow-down in industrial production.

Statistics showed that the economic efficiency of enterprises continued to improve as state-owned enterprises reported a hefty rise of 16.6 percent in revenues on sales, one percentage point higher than last month.

Pre-tax profits increased 9.8 percent in the first eight months of this year, 2.9 percentage points higher than the first seven months of this year.

Investment gathered steam as 25.6 billion yuan was injected into state-owned enterprises in August, up 25.2 percent over the same month last year.

Investment in capital construction rose 26.8 percent to 15.08 billion yuan while investment on technical renovation increased 21.8 percent to 6.73 billion yuan.

As a result, investment in fixed assets by state-owned enterprises jumped 21.7 percent to 143.8 billion yuan in the first eight months of this year.

In the breakdown, investment in capital construction rose 22.9 percent while investment in technical renovation grew 19 percent to 35-billion yuan.

August's retail sales rang up 73.8 billion yuan, up 12.9 percent over the same month of last year.

Price hikes continued to spiral on up in urban areas in August. Figures showed that the cost of living index in 35 major cities—an important indicator of inflation, rose 0.1 percent in August over last month.

But compared to the same month last year, the index had jumped 10.7 percent.

Bureau economists said that the price hikes mainly stemmed from the government's decision to raise some prices on certain commodities and strong price increase of vegetables in those flooded areas.

Thus, the cost of living index in the first eight months of this year, rose 7.9 percent over the same period last year.

Of the rise, the prices on consumer goods rose 6.2 percent while prices in the service industry such as restaurants and barber shops jumped 23.3 percent.

### RENMIN RIBAO Reviews Development of Garment Industry

OW1709080091 Beijing XINHUA in English  
0741 GMT 17 Sep 91

[Text] Beijing, September 17 (XINHUA)—The garment industry has been developing rapidly in China since the country adopted the open policy in 1979, the overseas edition of the "PEOPLE'S DAILY" [RENMIN RIBAO] reported today.

According to the newspaper, China now has more than 37,000 garment-making enterprises, with three million employees and boasting three million sets of sewing equipment of various kinds.

Last year the industry created an output value of 47 billion yuan, and earned 6.8 billion U.S. dollars for the country from exports, accounting for half the hard currency earned from exports of textiles.

During the Seventh Five-Year Plan period (1986-1990) the country spent 2.5 billion yuan importing 38,000 sets of advanced equipment, greatly improving the quality of China-made clothing.

According to the newspaper, the ministry of the textile industry has decided to accelerate the development of the garment industry in the 1990s; by 1995 the ratio of ready-to-wear clothes will be raised to 60 percent.

More advanced garment production lines and special equipment will be imported, while efforts will be continued to attract more foreign investors to the sector, the newspaper quoted ministry officials as saying.

### Total Industrial Output Value, Aug 91

HK1909101591 Beijing CEI Database in English  
19 Sep 91

[Text] Beijing (CEI)—Following is a list showing China's total industrial output value in August 1991, released by the State Statistical Bureau:

			(In 100 Million Yuan)
	1-8/90	1-8/91	Change over 1-8/90 PC [percent]
Total	1914.7	15042.1	13.7
Including:			
Export products	234.7	1676.8	11.1
Light ind.	899.8	7286.6	15.1
Heavy ind.	1014.9	7755.5	12.3

State firms	1220.6	9718.8	9.3
Collectively owned ones	561.2	4358.8	18.8
Others	132.9	964.5	42.6

Note: The industrial output value is measured in 1990's constant yuan

### Industrial Output Value by Area in August

HK2409133491 Beijing CEI Database in English  
24 Sep 91

[Text] Beijing CEI—Following is a list showing the industrial output value by area in China in August 1991, released by the State Statistical Bureau:

Area	8/91	8/90	(Unit: 100 Million Yuan) Change over 8/90 (pc)
National Total	1914.68	1561.62	14.6
Beijing	65.20	53.71	11.6
Tianjin	51.16	44.16	7.2
Hebei	77.43	60.82	16.1
Shanxi	43.20	33.84	6.8
Inner Mongolia	22.59	18.63	4.3
Liaoning	129.78	114.32	7.4
Jilin	42.05	36.81	11.3
Heilongjiang	66.49	58.67	3.6
Shanghai	151.44	124.33	10.7
Jiangsu	205.35	169.24	15.4
Zhejiang	117.15	87.52	26.3
Anhui Fujian	51.42	42.12	14.8
Jiangxi	42.95	33.64	20.6
Shandong	34.05	28.43	11.0
Henan	149.09	118.46	19.0
Hubei	73.58	60.56	14.2
Hunan	87.37	69.67	14.5
Guangdong	58.09	46.47	18.4
Guangxi	169.89	133.20	26.5
Hainan	29.23	24.20	14.4
Sichuan	3.26	2.92	15.6
Guizhou	102.66	81.04	16.1
Yunnan	19.92	15.97	15.3
Tibet	30.57	27.23	10.8
Shaanxi	0.26	29.77	4.0
Gansu	36.68	20.09	13.6
Qinghai	24.02	4.50	8.5
Ningxia	5.39	4.96	11.8
Xinjiang	5.91	16.04	1.7

Note: Industrial output value in 1991 is measured in 1990's constant yuan.



**Mechano-Electronic Output Figures Released***HK2009133591 Beijing CEI Database in English  
20 Sep 91*

[Text] Beijing (CEI)—Following is a list of the output of main mechano-electronic products in August 1991, released by the China State Statistical Bureau:

Item	Unit	1-8/91	8/91	8/90
Power Equipment	10,000 kw	602.13	97.49	89.62
Alternating-current motor	10,000 kw	2520.36	353.30	291.36
Industrial boiler	t	38155	6228	5799
Metal cutting machine tool	10,000 s	9.45	1.28	0.89
Digital control tool	s	2550	380	201
Precision machine tool	s	721	68	42
Large machine tool	s	1706	214	161
Automobile	10,000	45.69	6.35	4.28
Truck	10,000	26.42	3.47	2.38
Tractor (over 20 h.p.)	10,000	3.77	0.45	0.34
Small tractor	10,000	99.58	10.12	9.21
Locomotive	s	459	53	59
Of: Railway motor	s	343	43	39
Steam motor	s	3	3	
Power motor	s	113	10	17
Passenger car	s	1066	86	135
Freight car	s	15057	1973	1703
Internal Combustion Engine	10,000 kw	4623.9	618.4	474.3
Fishing ship	40	7	6	
Civil steel ship	10,000 t	84.29	6.56	8.43
Computer	s	205	41	32
Mini computer	s	52792	7222	5945
Pocket calculator	10,000 s	837.12	121.01	145.07
Program-controlled switchboard	10,000 s	31.54	4.95	1.81
Film projector	10,000 s	0.62	0.06	0.06

Notes: T—ton, S—set, KW—kilowatt

**Machine Tools Increases Export***OW1809043791 Beijing XINHUA in English  
0308 GMT 18 Sep 91*

[Text] Beijing, September 18 (XINHUA)—China's export volume of machine tools has kept increasing at an average annual rate of 30 percent since 1985, reaching 350 million U.S. dollars last year as against 40 million U.S. dollars in 1985.

This was revealed by an official in charge of the current second China international machine tools exhibition that opened here Tuesday.

Held at the Beijing International Exhibition Center, the exhibition was sponsored by the China Association of Machine Tools industry.

**Industry Aims For Domestic Power Equipment Output***HK2609021891 Beijing CHINA DAILY in English  
26 Sep 91 p 2*

[By staff reporter]

[Text] Production of China's largest coal-fired electricity generators will soon rely almost completely on locally supplied components, rather than imports.

In order to encourage the production of machinery and equipment domestically, the Ministry of Machinery and Electronics Industry recently demanded that by 1995, Chinese manufacturers supply at least 90 percent of components for the production of 600,000-kilowatt generators, designed to be the main-stay of China's electricity industry up to the next century.

Chinese factories are now working on the production of a third such generator, following the smooth installation of the other two in East China's Anhui Province.

The Ministry said the new machine will depend on local sources for 85 percent of components, compared with 50 and 76 percent for the other two.

In the past decade, millions of kilowatts of generating equipment have been purchased from abroad, draining the industry's precious hard currency reserves and leaving much of the domestic production capacity idle.

Chinese manufacturers were not able to produce such large-capacity generators until the introduction of American technology in 1981. But they still have to import certain parts.

According to the ministry, key components of the machine will be manufactured by three firms in Harbin in Northeast China's Heilongjiang Province while about 100 others will be responsible for minor supplies.

A 600,000-kilowatt thermal power unit consumes 200,000 tons of coal less annually than three 200,000-kilowatt units working together.

So far, 200,000-kilowatt units form the backbone of the industry's generating equipment, the world's fourth largest. Total installed capacity was 140 million kilowatts by the end of this June.

The government plans to put into operation another 10 million kilowatts a year up to the year 2000, most of which should be equipment of 600,000 or 300,000 kilowatts in capacity.

### **Ministry To Cut Soda Ash Stockpile**

*HK3009022691 Beijing CHINA DAILY in English  
30 Sep 91 p 2*

[By staff reporter Zhang Yu'an: "Plan To Restrict Soda Ash Output"]

[Text] The Ministry of Chemical Industry has decided to cut its planned soda ash production by 200,000 tons this year in order to help enterprises reduce their stockpiles.

According to the new plan, China's total soda ash output will be reduced to 3.8 million tons this year from the originally-planned 4 million tons, a chemical official told China Daily yesterday.

This is the ministry's response to a call from the State Council for tight control of production of stockpiled goods so as to save raw materials, energy, labor force and funds, the official said.

High stockpiles of many industrial products have become a serious problem hindering development of the national economy and worrying both government leaders and factory directors. Thus, the State Council, China's highest

governing body, is taking effective measures to solve the problem, China Daily has learned from other sources.

The demand for soda ash from major consumers such as light, building material and nonferrous metals industries, has declined drastically, explained the chemical official.

The glass making industry, for instance, the biggest domestic soda ash consumer, has sharply reduced its demand for the chemical products due to high glass stockpiles.

Consequently, stocks of soda ash in factory warehouses have soared to 860,000 tons, 72 percent over the usual level, the official said.

However, the official said, soda ash, being a major chemical raw material, has been playing an important role in industrial production in many parts of the country.

In the past, China was not able to meet the domestic demand for soda ash because of rapid development of light, building material and nonferrous metal industries, and thus had to import a lot of soda ash from abroad.

In the past 10 years, the chemical industry invested in building soda ash factories, three of which are capable of turning out 600,000 tons of soda ash annually.

As a result, China put an end to its status as the world's leading soda ash importer for 15 years and has become an exporter, the official said.

In spite of the aim to reduce high stockpiles, the official emphasized that all soda ash producers were to strictly adhere to fixed state prices and that no price reduction was allowed.

The ministry has also called on soda ash firms to improve product quality, enrich varieties and reduce costs so as to raise their efficiency.

Producers have also been encouraged to export more high quality soda ash products as part of the industry's strategy to develop an export-oriented economy, the official said.

### **Nation's First Copper Exchange Founded in Beijing**

*OW2909033591 Beijing XINHUA in English  
0259 GMT 29 Sep 91*

[Text] Beijing, September 29 (XINHUA)—The Jinpeng Copper Exchange, China's first such exchange for an industrial raw material, was set up Saturday in Beijing.

The exchange, founded by the China National Nonferrous Metals Industrial Corporation, will mainly undertake spot transactions, long-term contracts, and future contract business of electrolytic copper and other copper materials, in accordance with international practice.

A total of 2,456 tons of electrolytic copper were transacted, for 41 million yuan (about eight million U.S. dollars) on the first day of the opening of the exchange.

## SMALL-SCALE ENTERPRISES

### Journal Views Nature of Private Economy

HK1209110791 Beijing JINGJI YANJIU in Chinese  
No 7, 20 Jul 91 pp 71-75

[Article by Xi Huiyi (1153 5706 0001) and Lin Qingzhu (2651 1987 4591) of the United Front Department of the Guizhou Provincial CPC Committee, edited by Hong Liang (1347 0081), written in June 1991: "On 'Dual Character' of Private Economy at Present Stage"]

[Text] In the 10 years since the beginning of the reforms, the not insignificant influence which the development of the private economy has had on the economic structure and social structure of our country at the present stage has become a "hot topic" of concern to all sides. Many comrades have, in accordance with the fact that our country is still in the initial stage of socialism and the basic line formulated by the 13th Party Congress, have in a way which seeks truth from facts, carried out much research and exploration in terms of the nature and role of the private economy and the pros and cons of its continued existence and development. This has played a positive role in correctly understanding the private economy. Comrade He Jianzhang's article "On the Dual Character of the Individual Economy and the Private Economy"<sup>1</sup> also provides us with much enlightenment and benefit. We generally agree with his ideas that at present and in future, because of the conditions in our country and the party's policies, individual laborers and private entrepreneurs have not and cannot develop into an independent class, much less form a bourgeoisie, and also agree with his ideas on further strengthening work on the private economy and his analysis of the prospects for the development of the private economy. However, we cannot really agree with his conclusion that in our country at the present stage the private economy has a dual character economically, politically, and ideologically. On this topic, we would like to put forward a few ideas for the information of Comrade He Jianzhang and other comrades who engage in this research. As to the individual economy, its basic structure is one of socialist laborers, and it is easy to see that there is no question of a "dual character." Thus, we will not discuss that here. What we will discuss is the private economy, by which in general we refer to private enterprises.

#### I. "Dual Character" Has Specific Meaning, Specific Target

The significance of the term "dual character" lies in that it refers to a specific target. It is a term which was used by CPC members and especially by Comrade Mao Zedong when, on the basis of combining the universal truths of Marxism with the special characteristics of the Chinese revolution and applying the scientific method of class analysis, they engaged in analysis of the political attitude of the Chinese national bourgeoisie. It referred to how, during the period of democratic revolution, the Chinese national bourgeoisie were subject to the oppression, attacks and squeezing out by imperialism and feudalism and thus for a certain period and to a certain degree, they

had an anti-imperialist and antifeudal revolutionary nature. At the same time, they had very intimate links with foreign capital and domestic bureaucratic capital and feudal forces and they were afraid of the completeness of the revolution. Thus, they wavered and had an attitude of compromise towards the revolution. After the establishment of the PRC, during the transition period, the dual character of the Chinese national bourgeoisie was, in their efforts to safeguard the interests of their class, manifested on the one hand as cooperation with the public ownership economy, but on the other hand there was also an opposite tendency. That is to say, on the one hand they subordinated themselves to the leadership of the state economy and accepted socialist transformation. But, on the other hand, because of their class affiliation, they resisted and opposed to differing degrees our party's policy of "utilizing, limiting, and transforming" capitalist industry and commerce. Of course, on the economic level, the Chinese national bourgeoisie were on the one hand beneficial to the national economy and the people's livelihood and on the other hand, through illegal and other activities, they were harmful to the national economy and the people's livelihood. Thus, in most situations, the term "dual character" is used specifically to refer to the political attitude of the Chinese national bourgeoisie during the period of democratic revolution and prior to socialist transformation. Comrade He Jianzhang was probably proceeding from and using the term "dual character" in this sense. As the term was being used in this sense, there is a need to engage in analysis of the essential differences between private entrepreneurs in our country at the present stage and the Chinese national bourgeoisie prior to socialist transformation, and look at whether or not having roles in two aspects is the same as "dual character."

#### II. Essential Differences Between Private-Operation Entrepreneurs at the Present Stage and Chinese National Bourgeoisie

The 13th Party Congress pointed out that at the present stage, private enterprises are "a necessary and beneficial supplement to the public-ownership economy." On the basis of this conclusion and in the light of the realities of private enterprises in our country at the present stage, there are the following major differences between private enterprises at the present stage and capitalist industry and commerce prior to socialist transformation:

1. The ownership structure is different. Private enterprises at the present stage have appeared under conditions where the primary position of the socialist public-ownership system has already been established and where that system has absolute preponderance. If we take our country's industrial sphere as an example, nearly all of the more than 10,000 medium-sized and large industrial enterprises throughout the country, which currently form the mainstay of the national economy, are under socialist public ownership. Of the industrial fixed assets throughout the country, those under the public-ownership economy constitute 99.2 percent. Of the GNP, 98.2 percent is created by the public-ownership economy. We can say that because of the restrictions and influence of the absolute preponderance of

the socialist public-ownership economy, the private enterprises will not be able to manipulate the economic lifeblood of the state, and even less will they be able to change the socialist nature of the public-ownership economy. However, during the period of transition, although the state already controlled the economic lifelines of the banks, the railways and posts and communications, public ownership still did not constitute the main part of the economy. In 1952, private and individual economic operations constituted 77.7 percent of the national economy, and in some industries the driving force still lay in the private economy.

Second, the capital source structure is different. In general, there are today three sources of funds for private enterprises in our country: 1) accumulation through labor; 2) Credit from banks and credit cooperatives; 3) collected funds from individuals. There is also a portion of private entrepreneur nonlabor income which is reinvested. Analyzed in terms of these funds sources, we should say that basically these are part of socialist funds. However, the source of funds of our country's national bourgeoisie, even if not gained by plundering abroad, was capitalist accumulation from original capital.

Third, the class structure is different. From the situation we have observed from our investigation, at present, the majority of private enterprises are spread in the rural areas. The majority of the operators of these enterprises are peasants who have just put aside their hoes and the majority are commune or team cadres, professional or supply and marketing personnel of township and small town enterprises, retired soldiers or educated youth who have returned to the villages. The private entrepreneurs in the urban areas mainly comprise individual laborers, youth awaiting employment and cadres, staff, workers and technical personnel of state or collective enterprises or of party or government organs who are no longer receiving salaries or have resigned. If one looks at their political features, the personnel employed in industrial and commercial operations throughout the country include 210,000 party members and 340,000 CYL [Communist Youth League] members. There are also quite a few people's deputies and CPPCC [Chinese People's Political Consultative Conference] members and they include quite a number of private entrepreneurs. In Wenzhou, Zhejiang, where private enterprises are most developed, 33.3 percent of the private entrepreneurs are CPC members, while 12.8 percent are CYL members. Most of these people, under the encouragement of party policies, have given full play to their own special skills and established private enterprises. However, during the transitional period, the capitalist industrialists and commercial operators constituted our country's national bourgeoisie, which was the target in our country's attempts to achieve unity during the new democratic revolution period. Essentially, they were the same as the capitalists of the capitalist countries. After the establishment of the PRC, the national bourgeoisie had already been abolished as a complete exploiting class. However, its members, through socialist transformation, changed into laborers who fed themselves through their own labor, and

the enterprises through various forms of socialist transformation, made the transition to publicly owned enterprise.

Fourth, the employment relationships are different. It must be admitted that at present, in the private enterprises, the relationship between the private entrepreneurs and the employees is an employment relationship, and it includes an element of exploitation of surplus labor. However, this employment relationship is a relationship which exists under a socialist system, a new type of relationship within the scope allowed by party and state policies. First, the vast majority of the private entrepreneurs all participate in the production management activities and although there may be a certain differential between the income of the employer and the employees, in general the contradiction between the two is not very acute and does not involve a clash between classes. Second, our country's socialist system guarantees the rights of workers as masters, and on the political level employers and employees are equal. There is not a relationship between oppressor and oppressed. The majority of the employees are peasants who have been assigned land for which they are responsible. They are the surplus labor which has emerged following the development of the commodity economy in the rural areas. They are not labor commodities who have nothing to rely on and have to sell their labor to survive. These aspects are greatly different from the antagonistic labor-capital relationship in capitalist industry and commerce.

Fifth, the distribution modes are different. Because of the national conditions in our country at the present stage, there has appeared a plurality in terms of private enterprise funds sources, production modes and the forms of appropriation of the means of production. This fact determines the plurality of the distribution modes in private enterprises. Generally, there is distribution according to work, distribution according to funds and distribution according to risk. Their main characteristics are: 1) The income of laborers is tightly linked with the results of labor. 2) The degree of complexity of labor and the degree of technical proficiency have a great influence on distribution. 3) All sorts of investors can participate in distribution. 4) Many of those who participate in distribution have dual status. For example, they might be laborers and shareholders, or operators and shareholders. This is very different from the distribution relationships in capitalist industry and commerce which are completely determined by ownership of the means of production.

Recently, there have been many articles which have fully affirmed the role of private enterprises in developing the productive forces during the initial stage of socialism, in enlivening the commodity economy, in invigorating urban and rural markets, in providing employment, in providing convenience in the people's lives and in providing funds to the state. This need not be repeated here. In brief, private enterprises which have been initiated and supported by our party and state, and which are a supplementary form to the socialist public-ownership economy, are essentially different from the national capitalist industrial and commercial operations prior to liberation or prior to socialist

transformation. Thus, we cannot analyze private enterprises at the present stage in the same way as we analyze the class attributes of national capitalist industry and commerce.

### III. Private Enterprises' Roles in Two Aspects Not Equivalent to "Dual Character"

It must be admitted that for various reasons, at present, at the same time as private enterprises bring into play their positive role, which is beneficial to the national economy and the people's livelihood, they also play a negative role which is disadvantageous to the national economy and the people's livelihood. This is an objective existing fact. However, this does not mean that we can come to the conclusion that private enterprises have a dual nature economically, politically and ideologically. In respect to the negative role of private enterprises, there is a need to engage in overall and profound analysis with an objective, sober, and practical attitude. Through the establishment of laws and regulations, macroeconomic regulation and control, administrative management, economic supervision and ideological education, we will be able to find external factors which can correct these negative roles of private enterprises, and then will be able to manage the enterprises through legal, administrative and economic measures. We should not ascribe the appearance of these negative roles completely to some so-called "dual character" of private enterprises.

When discussing the "dual character" on the economic level of private economic operations, Comrade He Jianzhang, at the same time as affirming that such operations are necessary, beneficial supplements to the public-ownership economy, also holds that "as private-ownership economic operations, they also have a spontaneous inclination toward capitalism." On this question, we believe that in correctly analyzing the role on the economic level of private economic operations at the present stage, we first must fully affirm that private economic operations are a necessary and beneficial supplement to the public-ownership economy. This is also clearly stipulated in the 11th Article of the Constitution. Since the Third Plenary Session of the 11th CPC Central Committee, the role which the private economic operations have played has fully proven that this definition of private economic operations fully accords with reality. As to the question of a spontaneous tendency, it should be stated that all enterprises that decide their own operations and are solely responsible for their own profits and losses (even publicly owned enterprises which have been contracted out) have particular spontaneous tendencies divorced from state planning. Are these tendencies capitalist? This question requires extremely careful study and handling. It is because of the existence of these spontaneous tendencies of which everyone is aware that contradictions between macroeconomic regulation and microeconomic actions began to appear. These contradictions exist in many types of economic components and will continue to exist for a long time in the process of perfecting the economic movement mechanism in which the planned economy and regulation through market mechanism are combined. Thus, the

problem lies not in whether the private economic operations have a spontaneous nature or a blind nature, but in whether or not national economic management work fully brings into play the role of macroeconomic regulation and control and continues to advance following changes in the economic structure, and in how to further perfect the state economic management laws and regulations. In this way, the activities of private economic operations will be standardized, the appearance of spontaneity and blindness will be guarded against and overcome, and the activities of private economic operations will be guided, assisted and supervised so that they are carried out within the scope allowed by state laws and party policies. This will reduce and restrict those negative roles of private enterprises which are harmful to macroeconomic regulation and control and harmful to harmonizing the distribution of social income.

During the early period, there indeed appeared phenomena such as private entrepreneurs dispersing or taking out funds, cutting back the scale of operations and closing enterprises. However, we cannot thus see these activities as indicating strong resentment or negative actions of resistance by private entrepreneurs to strengthened management by the state, and thus come to the conclusion that, on the economic and political levels, private economic operations have a dual character. During our investigation, we came to understand that the vast majority of private entrepreneurs deeply feel that the reasons they have been able to prosper are: 1) The party and the state policies since the Third Plenary Session of the 11th CPC Central Committee, which have encouraged and supported the private economy. 2) The support of state credit. 3) The support and specific assistance they have received from the party committees, governments and other organs at various levels. Thus, they are extremely grateful to the party and the government and they advised that they wished to run their enterprises within the limits allowed by the party and government policies and make their own contributions to the development of the productive forces and the prosperity of the socialist commodity economy. This is a true reflection of the sentiments of quite a proportion of the private operation entrepreneurs, and is their guiding aspect on the political level. As to the appearance of situations such as dispersing and taking away funds, cutting back the scale of operations and closing enterprises, which occurred in the early period, the causes are very complex. Of the many causes, there are two primary ones: 1) The economic improvement and readjustment in the early period, the tightening up of the money market and the shrinkage in consumption caused thereby. The weakness of the market had a very great effect on the private enterprises. 2) The rumors such as "the state is going to restrict the development of the private economy," "private entrepreneurs are going to be labeled as capitalists," and "there is going to be a second transformation of capitalists" which spread in society in the early period. These rumors increased the concerns of some private entrepreneurs, and they were worried that "the policies are going to change again." Thus some of them adopted measures such

as dispersing or taking out funds, or closing down enterprises to try to protect themselves. Thus, in respect of some of the abnormal phenomena which appeared in private enterprises in the early period, we need to do an overall analysis. We cannot arbitrarily sum them up as manifestations on the political level of the dual character of the private economy. Also, we cannot, because the private economy has roles in two aspects on the economic level, hold that it has a dual character on the political level.

It is quite a biased attitude to suggest that, as the value viewpoints of the private entrepreneurs have a "profit-oriented" aspect, that they have a dual character on the ideological level. Certainly, it cannot be denied that in their operational activities, private entrepreneurs, as private owners, have the obtaining of maximum profits as one of the value viewpoints guiding their activities. However, value viewpoints are only one of the manifestations of ideology, and the value viewpoints of private entrepreneurs cannot be completely summed up as "profit-seeking". They also have an aspect which is manifested in safeguarding the party's leadership, travelling the socialist road and being willing to serve the socialist economy. The latter manifestation should be the guiding aspect of the value viewpoint of the majority of private entrepreneurs. Also, "profit-seeking" is not limited to the private entrepreneurs. In any situation where economic efficiency and individual income are closely linked, generally the seeking of profit is extremely intense. Frankly, have not even the peasants had a value viewpoint which stresses the seeking of economic benefits since the output-linked contracted operation system was implemented? Can we thus say that, on the ideological level, the peasants have a dual character? If we want to overcome the negative influence brought by the private entrepreneurs' "profit-seeking," the main avenue is to strengthen management. Through reliance on economic administration and legal measures as well as ideological and political work, we will be able to standardize their actions, so that they strive for and obtain their maximum profits within the limits allowed by state laws and policies. We cannot just call their actions of seeking economic benefit "profit-seeking" and then raise this to a level of saying that they have a dual character on the ideological level.

#### **IV. Correctly Understanding Private Economy at Present Stage**

Correctly understanding the nature of private entrepreneurs in the initial stage of socialism is of very major significance in continuing to uphold the line, principles and policies since the Third Plenary Session of the 11th CPC Central Committee and for current political, economic and social stability. In analyzing the nature of private enterprises at the current stage, we cannot simply adopt the class analysis used for the national bourgeoisie and we cannot simplistically judge them to be "socialist" or "capitalist." We should proceed from a dialectical materialist and historical materialist viewpoint, observe the Marxist principle that "man is the sum total of all social relations," seriously research the historical background and social conditions which produced private

enterprises at the current stage, and deeply analyze the internal relations within private enterprises and the means of production ownership relations. We must not oversimplify or one-sidedly view something which is as complex as the private economy. It is historically inevitable that the private economy should appear during the initial stage of socialism. As a report at the 13th party congress pointed out: "The reforms we are now carrying out, including that of developing diverse ownership economies while maintaining the prime position of public ownership and even allowing the existence and development of the private economy, were all determined by the actual situation of the productive forces in the initial stage of socialism. Only thus have we been able to promote the development of the productive forces."<sup>2</sup> This sort of private economy, which is intimately linked with socialist public ownership and is also subject to the great influence and conditioning of the public-ownership economy and is a supplement to the public-ownership economy, fully manifests the necessity and vigor of its existence. In addition, there is still room for further development. In respect of this economic component which is beneficial to the national economy and the people's livelihood and beneficial to developing the productive forces, we must guard against proceeding from certain concepts, coming to conclusions which are not in accord with reality and even causing unnecessary instability and producing unnecessary harm. In respect to the various problems that exist in the development of the private economy, in terms of long-term construction and ultimate policies, we must strengthen management, supervision and guidance by state policies, laws and regulations, and stress advantages and skirt disadvantages, so that there is healthy development, rather than discrimination on the political level and exclusion on the economic level.

Certain negative effects of the private economy in the socialist economy cannot be denied. If we are to avoid or alleviate these negative elements, we need correct analysis and understanding. We believe that we should grasp the following principles: 1) We must affirm that the long-term existence of the private economy does not conflict with the nature of socialism, and we must not see the private economy as a negative force in the socialist economy. As long as it operates within the scope allowed by laws, regulations and policies, the private economy will be serving socialism. Further, when assessing whether or not an economic component has the conditions for existence and has a value, the most basic thing to look at is whether or not it is advantageous to the development of the productive forces. 2) We need to distinguish the legitimate from the illegal. That is, we need to distinguish the negative influence of the private economy in situations where such operations violate laws, regulations and policies from the negative influence of such operations when they accord with the existing laws, regulations and policies. The first-mentioned negative influence can be restricted by strictly applying laws and discipline, while understanding and handling the latter type of negative effect is a complex matter. 3) We need to take an overall view of the various problems which exist in the development of the private economy. We cannot sum up the entirety on the basis of a

partial observation, not use a minority to negate the majority. We should particularly recognize that the responsibility for the emergence of many problems does not lie entirely with the private entrepreneurs themselves. The key problem is that education and management work have failed to keep up. Thus, in accordance with the current political and economic situation, we need to strengthen broad-ranging and profound education work for private entrepreneurs, stressing that the party and government's policy of developing the private economy under the condition that public ownership maintains prime position, will not change. We must educate them to grasp and understand the relevant party and state policies, make clear the divisions between developing the private economy and "privatization," raise their socialist and patriotic consciousness and encourage them, under the condition of observing law and discipline and paying taxes in accordance with regulations, to do well in running their own enterprises and guide them to play a positive role in developing the social productive forces and bringing prosperity to the socialist commodity economy. Then, in respect to the negative effects that have emerged in the development of the private economy in recent years, we should grasp the formulation and perfection of relevant laws and regulations, strengthen various types of management measures, and standardize the activities of private entrepreneurs. At the present stage, our country's private economy has great potential for the implementation of controls and for molding. As long as policies are appropriate, guidance is backed up by laws and management is powerful, the private economy will be able to develop healthily along the track of the socialist planned commodity economy.

#### Footnotes:

1. Carried in GUANGMING RIBAO 15 Jan 1990 p 3
2. "Advancing Along the Road of Socialism with Chinese Characteristics" in "Collected Documents of the 13th National Congress of the CPC", Peoples's Publishing House, 1987 edition, p 29.

## LABOR

### Report on Wage Increases

91CE0790A Beijing GONGREN RIBAO in Chinese  
9 Aug 91 p 3

[Article by Yang Yiyong (2799 1355 0516): "Summary of a Round-Table Discussion on the Problem of Wage Income for Urban Workers"]

[Text] Not long ago, the Center for Economic Studies of the National Planning Committee invited comrades in charge of setting wage policies at the Ministry of Labor, the Ministry of Personnel, the National Confederation of Trade Unions, the Bureau of Statistics, the Ministry of Finance, the Committee on Systemic Reform, the People's Bank, and eight industrial departments, including mechanical and electrical products, metals, textiles, chemicals to a

round-table discussion on the problem of wage income for urban workers. The principal viewpoints are summarized below:

From 1979 to 1990, total wages for all of China grew at a slower rate than national income and real average wages for workers increased less than social labor productivity. This shows that, since reform and opening up, growth in wage funds was basically appropriate to the development of the whole Chinese national economy. Comrades from the Wage Office of the Ministry of Labor came to three conclusions on the wage income situation: (1) Rural income rose faster than urban income. (2) Among urban residents, nonwage income grew faster than wage income. (3) In-plan wage increases were not exceeded.

Participants analyzed and explained the the main problems in setting wages are:

First, nonwage income is increasing too rapidly. This is the main reason why the distribution of national income is being skewed toward individuals. According to a study by the Urban Survey Team of the National Bureau of Statistics, family income per capita among urban residents increased from 343 yuan in 1978 to 1,522 yuan in 1990, or 3.4 times. Wage income increased from 318 yuan to 1,028 yuan, or 2.2 times. Income other than wages increased from 25.4 yuan to 494.8 yuan, or 18.5 times. In 1990, income other than wages was equal to 50 percent of wage income. According to data from the Social Office of the Bureau of Statistics, workers' per capita income grew 26.5 percent during the Seventh Five-Year Plan. The average rate of increase for wages was 13.3 percent, and the rate of increase for nonwage income was 30 percent.

As for the scope of nonwage income, comrades from the People's Bank believe that they should include: (1) rental income, (2) interest (for all of China comes to 80 billion yuan per year,) and (3) transfer payments. Transfer payments can be divided into financial transfers and transfers from enterprise units. Financial transfer expenses include price subsidies, grain subsidies, education allowances (of which 35 percent passes through the hands of the recipient), allowances for housing from institutions, etc. Transfer expenses from enterprise units do not show up in their books; the amount of payment depends on the enterprise itself.

Comrades from the Ministry of Labor and the People's Bank believe that wage management and income management are different. Nonwage income is outside the scope of the wage problem; it is a problem of fiscal management and fiscal responsibility.

Second, there is an urgent need to perfect the system of linking pay to productivity. Linking pay to productivity plays a positive role. It gives an impetus to workers and enterprises and gives enterprises more freedom in setting wages. But many problems remain, the main one is the loss of macro-control. National regulations require that the ratio between increases in total wages and growth in taxes and profits must not exceed 1:0.7, but the ratio has been greatly exceeded as a result of this policy. Comrades from

the Ministry of Finance said that, according to survey data, in 1985 the ratio between growth in total enterprise wages and growth in taxes and profits was 1:0.73, in 1990 it reached 1:3.45, and in Guangxi and Fujian it reached 1:4. The possibility that this trend may continue is very worrisome.

Comrades from the Ministry of Labor believe that egalitarianism in compensation still exists within enterprises even now that labor productivity and wages are linked. This is because of the mechanism by which economic efficiency takes place. Under conditions of many distorting factors, economic efficiency in some enterprise is high, not necessarily because of hard work or good management. Wages are determined by economic efficiency, and economic efficiency is determined by prices. When wages are set in this manner, it is hard to say that they are "distributed according to work." Now enterprises that earn good profits are perfectly justified in raising wages, and enterprises that do not earn good profits try by every means to find reasons, and funds, to pay more wages.

Third, the proportion of standard wages in the wage structure is declining sharply, and the proportion of bonuses and allowances is increasing sharply. According to a sample survey by the Urban Studies Team of the Bureau of Statistics, in 1978 wage income made up 92.6 percent of total worker income, and basic wages made up 83.5 percent of total income. By 1990, the proportion of wage income in total income declined to 67.5 percent, and the proportion of basic wages in total income declined to 40.6 percent.

Basic wages are based on a worker's ability and level of skill, and should be the basic income of workers, but now that the proportion of wages in income has fallen so low, they no longer serve the purpose of motivating workers to improve their skills. Bonuses and allowances are paid equally to all; this has become the main reason for egalitarianism in compensation.

Comrades from the Ministry of Labor advocate making steady increases in the proportion of basic wages in wage income, seeking to raise it to 70 percent in 1995 and 80 percent by 2000.

Fourth, wages tend to be low in organizational institutions. Comrades from the Ministry of Personnel said that for several years wages for workers in these units has increased slowly and the wage level is low. From 1978 to 1990, real average wages for workers in these units increased from 622 yuan to 959 yuan, or 54.2 percent, for an average annual growth rate of 3.67 percent compounded. Among workers at organizations, average real wages increased 43.35 percent, or 3.05 percent per year compounded. In the same period, real average wages at enterprises increased from 651 yuan to 1056 yuan, or 62.2 percent, for an average annual growth rate of 4.11 percent compounded. In terms of the magnitude of the increase, in 12 years the increase in real average wages at enterprises was 8 percentage points higher than at organizational institutions and 18.85 points higher than at organizations. In 1990, the Ministry of Personnel surveyed 520,000 people

in 15 provinces, municipalities and autonomous regions. They found that wages of cadres at national organizations, institutions and enterprises were 2,117 yuan, 2,121 yuan and 2,584 yuan respectively. Enterprise cadres earned an average of 467 yuan, or 22 percent, more than cadres at national organizations, and 463 yuan, or 21 percent, more than cadres at institutions.

## TRANSPORTATION

### Ministry Reports Electrification of 16 Main Railway Lines

OW2709041591 Beijing XINHUA in English  
0134 GMT 27 Sep 91

[Text] Beijing, September 27 (XINHUA)—The electrification of 7,174 kilometers of 16 main railway lines in China was completed this September, the Ministry of Railways reported.

These railway lines currently shoulder 17.7 percent of China's railway traffic, and their electrification will greatly raise the railway transportation capacity and help promote the country's economic development, an official from the ministry said.

Since 1980, China has constructed 4,783 kilometers of electric railways. In north and central China as well as in the south west, three electric railroad networks have been built. The construction focus has shifted recently to the east and the south.

During the Seventh Five-Year Plan period (1986-90), 2,914 kilometers of electric lines were put into operation, including the Daqin and Beitongpu Line in Shanxi Province, the Hengguang Line in Hunan Province, the Chengyu Line in Sichuan Province, the Xilonghai Line in the northwest, the Guikun Line in the southwest and the Yingxia Line in east China.

The Daqin Line (from Datong in Shanxi to Qinhuangdao in Hebei), completed in 1988, is the first heavy-haul, double-tracked electric line of the country.

Progress has also been made in the management of the electric lines with the use of new equipment, such as long-distance computer control and digital communications systems.

Success has also been achieved in locomotive production, power supply and counter-interference technology.

During the next five years, the ministry plans to construct 21 electric lines with a total length of 5,000 kilometers.

### Auto Parts Industry Sets Goals for Eighth Five-Year Period

OW2109212991 Beijing XINHUA Domestic Service  
in Chinese 1118 GMT 20 Sep 91

[Report by RENMIN RIBAO reporter Lin Gang (2651 6921) and XINHUA reporter Li Anding (2621 1344 1353)]



[Text] Beijing, 20 Sep (XINHUA)—Despite the fact that domestically made automobiles are now the best sellers among machinery and electrical appliances, the automobile industry, in a bid to maintain its staying power for development, has calmly decided to give top priority to the modernization of the auto parts industry during the Eighth Five-Year Plan period, thereby sustaining the high-level development of the automobile industry, specially the newly established sedan industry.

A national conference on planning the development of the auto parts industry for the Eighth Five-Year Plan period was held today. Reporters have learned from the conference that for the Eighth Five-Year Plan period, the auto parts industry has set the following production targets: The industry aims to achieve the localization of automobile models, specially sedans, that have been introduced into China. One of the goals is to acquire the capability of localizing the manufacturing of automobile models now put into production—such as Sangtana [as received] in Shanghai, Qienuoji [as received] in Beijing, and Audi at the First Automobile Manufacturing Company—by more than 80 percent by 1995. The production of those sedans by the First and Second Automobile Manufacturing Companies in joint ventures with German and French companies will be localized by more than 60 percent when put into batch production. The industry will actively promote the export of auto parts. With the technologies imported in recent years, the export earnings from auto parts are aimed to rise from \$100 million in 1990 to \$300 million in 1995. In line with the requirement for “high standard, large quantity, specialization, and top quality,” efforts will be made to readjust the pattern of enterprises and develop 50 or so “small giants” of auto parts enterprises, with each capable of locally producing components and parts for several automobile models. Extra efforts will also be made to ensure that enough components and parts are produced to meet both production and maintenance needs. The national output value goal for auto parts is to reach 13 billion yuan in 1995.

During the Eighth Five-Year Plan period, automobile component enterprises throughout the country will come under unified management, putting an end to chaotic, redundant, and blind developments. The goal is to upgrade the industry so it may advance from producing parts for common automobiles to producing parts for sedans, which tend to be more sophisticated and numerous; from making parts for one single automobile model to making parts for a variety of automobile types and models and for exports; and from copying foreign products to independently researching and developing new products.

#### **Shipping, Passenger Volume Increases**

*OW1509074591 Beijing XINHUA in English  
0701 GMT 15 Sep 91*

[Text] Beijing, September 15 (XINHUA)—The freight volume reached 1.51 billion tons during the first seven months of this year, up 0.6 percent over the same period last year, according to the State Statistics Bureau.

The latest government statistics show that rail freight dipped 0.8 percent to 854 million tons while truck freight rose 2.9 percent to 336 million tons.

Shipping increased two percent to 316 million tons while airborne freight jumped 24.3 percent to 233,000 tons.

As a result, the freight turnover volume—an important indicator of productivity and economic efficiency—rose to 1,387.16 billion ton-kilometers, an increase of 6.9 percent.

Of the total, rail turnover rose 2.4 percent to 629.49 billion ton-kilometers while truck freight turnover rose 0.7 percent to 20.44 billion ton-kilometers.

Shipping turnover grew 11.3 percent to 736.69 billion ton-kilometers while air freight turnover soared 30.1 percent to 538 million ton-kilometers.

Meanwhile, passenger volume totalled 3.194 billion people in the first seven months of this year, up 3.5 percent over the same period last year.

The number of people who took trains slid 1.1 percent to 549 million while bus travel increased 4.7 percent to 2.53 billion people.

Boat travel sank 1.9 percent to 107 million people while air travel soared 31.8 percent to 10.51 million people.

Thus, passenger turnover volume increased 9.1 percent to 303.56 billion person kilometers in the first seven months of the year.

The turnover of rail passenger volume jumped 6.1 percent to 161.16 billion person-kilometers while bus travel turnover increased 10.6 percent to 118.33 billion person-kilometers.

Freight handled at major seaports increased 7.1 percent to 283 million tons in the first seven months of this year.

#### **Shanghai Container Ship Industry Makes Progress**

*OW1809091791 Beijing XINHUA in English  
0825 GMT 18 Sep 91*

[Text] Shanghai, September 18 (XINHUA)—Container shipping has developed rapidly in Shanghai, China's largest industrial city, since it began in the late 1970s.

The port of Shanghai has become the country's number one shipping port, and the city now has 16 container shipping routes linking it to port cities throughout the world.

Last year, the number of containers shipped from the port exceeded 460,000, or some 29 percent of the country's total.

At present, the port with its seven container berthes has 16 direct routes to ports across the world, and 92 container vessels depart the port each month.

According to official sources, a national key research project is currently under way at the port as part of an effort to transform it into a major international container port during the coming years.

## AGRICULTURE

### Solution to Shanxi Grain Storage Problems

91CE0747A Taiyuan JINGJI WENTI [ECONOMIC PROBLEMS] in Chinese No 7, 25 Jul 91 pp 25-26

[Article by Liu Ying of the Huaiyuan County Grain Bureau, Shanxi Province: "Grain Storage Problems, Solutions in Rural Shanxi"]

[Text] Since implementation of the output-linked contract responsibility system in rural areas, there have been important changes in the methods of grain storage, the amount of grain in storage, and management methods for grain storage. The grain storage method has changed from the unified storage handled by the production team to decentralized storage handled by individual peasant households. As for the amount of grain in storage, because output has developed, varieties and amount of grain have increased year by year. The management method for grain storage has changed from the previous specialized management by the collective under the production team to management by the peasants themselves. As a result of changes in grain storage methods, amount of grain in storage, and methods for grain storage management from the collective to individual peasant households, there have been unnecessary losses in the process of grain storage because the peasants are ill-equipped in terms of grain storage facilities and grain storage techniques. The main existing problems are:

1. **Poor grain storage facilities.** In the past, collectives under the production team had special storerooms to keep grain, and had a specially-appointed storekeeper. After grain was stored by individual households, peasants usually have used porcelain jars, pots, jugs, gunnysacks, and earthen storerooms for storage purposes. In many localities, cement-made cabinets and brick-based storerooms have been used for storage. In years of bumper harvest, the existing facilities did not suffice, and peasants would simply pile up grain on the floors of empty rooms, putting the grain close to chemical fertilizers, pesticides, and farm instruments. Such storage methods are detrimental to safe grain storage; it is not suitable for ventilation and sealing, and cannot prevent damages caused by worms and rats.

2. **Backward grain storage techniques.** After grain was stored by individual households, because peasants did not have the habit and experience of storing grain in large amounts for long periods, they lacked the knowledge of safe grain storage. They are powerless against damages caused by worms, poison, rats and birds despite their desire to prevent the damage. They are especially defenseless against worm damage to grain. Because they lack knowledge of scientific grain storage, misuse chemicals, and mix storage of grain and chemicals, injuries and death to humans and animals frequently occur.

3. **Lack of instruments to inspect grain and of preventive substances.** When peasants store grain in sacks, jars, storerooms and cabinets, it is difficult to discover problems at the bottom or in one part of the stored grain, because of a lack of such inspection instruments as rice-temperature

gauge and sampling tools. Some problems are discovered only when they have become rather serious, and when the mouldy smell is detected, which results in irretrievable losses. In addition, the market and grain departments do not sell small-package fumigating substances, and peasants are utterly helpless in the face of grain worms.

4. **The "four-no" storage work of national granaries is also threatened.** The low quality of peasants' grain storage has affected the "four-no" storage work of national granaries. In recent years, the quality of stored grain and edible oil has declined year by year. Large amounts of worm-infested grain, moisture-affected grain and low-quality grain have been stored, which has had a detrimental impact on the operation and management of grain enterprises and the construction of "four-no" granaries. According to estimates, 40 percent of the summer grain purchased by state depots in Shanxi is old grain. Old grain accounts for about 50 percent of autumn coarse cereals. Because the wheat sold by peasants to Huaiyuan County in recent years was worm-infested, the purchased wheat had to be fumigated, increasing state expenditures and lowering grain quality.

5. **No one manages grain storage in rural areas.** Presently, agricultural departments only manage pre-production and mid-production work of the rural areas, and only emphasize how to increase grain output, but seldom concern themselves with post-production links. After the change from the previous administrative mold to the business mold, grain departments only care about purchasing the state-required amount, fulfilling their own sectors' targets for profits and taxes as well as storing well state grain, but seldom concern themselves with rural grain storage work, and provide even less guidance to peasants on grain storage techniques. In short, in rural areas, all work is managed by some department, but no one takes care of the important matter concerning the storage of tens of billions of kilograms of grain.

6. **Weak sense of planned and economical use of grain; serious waste of grain.** After implementation of the output-linked contract responsibility system in rural areas, grain output has reaped bumper harvests for many consecutive years. Peasants have more surplus grain and are no longer carefully budgeting food as they were before. During the period of establishing communes, what was distributed was eaten, and whatever amount was distributed was eaten. The present situation is, as a principle, I will retain first whatever tastes good, and whatever amount is enough for my consumption. As time passes on, the peasants' sense of treasuring grain has been weakened. Therefore, they spend freely. The loss of stored grain caused by such things as worms and rats is considered no big deal and has not aroused sufficient attention.

7. **Serious loss of stored grain in rural areas.** In recent years, Shanxi's annual grain output has been about 8 billion kilograms. In addition to state purchases of about 2 billion kilograms, province-wide peasants themselves retain about 6 billion kilograms. According to typical investigation, the loss of stored grain in rural areas is about 7-12 percent. Calculated on the basis of an average loss rate of 10

percent, Shanxi has an annual grain loss of 600 million kilograms, equivalent to annual grain rations for 1.5 million people.

Shanxi is a grain-deficit province. Nationwide, presently there are no huge surpluses of grain. Therefore, in the large-scale province-wide effort to develop rural grain storage, the active development of "invisible grain fields" is very promising and inevitable. I believe we must adopt the following measures, and view them as an urgent task for the present time.

1. Establish rural grain storage service centers. Governments at all levels should take charge and transfer personnel from the agricultural, scientific and technical, health and grain departments to be specially responsible for rural grain storage. At the same time, we must view a good job of rural grain storage as an important item in the various sectors' support of agriculture, and do a good job of post-production service.

2. Do a good job of propaganda and education, and popularize knowledge of scientific grain storage. We must develop the role of the news media, and start serial columns and topical programs on "scientific rural grain storage" in newspapers, radio and television, to present concrete methods and experience on scientific grain storage. Organize personnel concerned to write and distribute pamphlets on scientific rural grain storage that are easy to understand and easily to operate. In rural areas, we must energetically popularize scientific knowledge and improve the quality of grain stored by peasants, through such means as wall posters, serial columns, and special-topic courses.

3. Establish "grain banks" to store grain for the peasants. Grain departments that have depots with the necessary conditions can store grain for the peasants, and charge appropriate storage fees. Grain processing factories can store wheat and millet for the peasants, and let peasants store all of it and retrieve small amounts, or store unprocessed grain and retrieve processed grain. In this way, grain processing enterprises can earn processing fees, and make things convenient for the peasants. Feed-processing factories that have the necessary conditions can also let the peasants store unprocessed grain in exchange for feed. Village committees should use existing warehouses to store grain for the peasants in an energetic way.

4. Carry out energetic activities to eliminate rats in rural areas. In connection with patriotic public health campaigns, we should organize two to three rounds of rat-elimination activities involving the whole public each year, in an earnest effort to eliminate rat-related damages. Public health departments should be responsible for supplying rat-elimination substances, and provide the peasants with on-site guidance on eliminating rats.

5. Grain departments should put on the agenda assistance to peasants for storing grain well, and view it as an important matter. We must go to rural areas to spread

grain storage techniques, and assist peasants in their "four-no" activities. This not only reduces peasant grain losses, but also guarantees the establishment of "four-no" state granaries.

6. Assist the peasants in improving backward conditions of grain storage; popularize among the peasants such inexpensive and practical grain storage methods as small-panel cabinets and cement-made cabinets; popularize turning the front yard into terrace, and solve the problem with regard to grain-drying ground.

### **Grain Output of 425 Million Tons Predicted for 1991**

*OW2709044591 Beijing XINHUA in English  
0317 GMT 27 Sep 91*

[Text] Beijing, September 27 (XINHUA)—China is expecting a grain output of about 425 million tons this year, a decrease of 20 million tons from last year but a big triumph in a year of heavy natural disasters.

Liu Zhongyi, minister of agriculture told an on-going session of the Standing Committee of the National Committee of the Chinese People's Political Consultative Conference in Beijing yesterday that he is confident of the estimated figure, which was based on the latest nationwide survey.

According to him, the autumn grain yield will be 10 million tons less than last year's record due to floods in the eastern and northeastern provinces, drought in the southern coastal provinces and northwestern areas, and double disasters of flood and drought in central and southwestern areas.

The summer harvest was 1.9 million tons less than last year, and early rice yield 5 million tons less.

The minister said China must make consistent efforts and give agriculture priority despite the fact that agricultural investment doesn't always bring a quick profit.

He pointed out that with a 800 million rural population, agriculture will continue to occupy the key position in China's socialist economic development.

### **Peanut Wholesale Market To Open in Shandong**

*OW2109013191 Beijing XINHUA in English  
0115 GMT 21 Sep 91*

[Text] Beijing, September 21 (XINHUA)—The first peanut wholesale market in the country is expected to open soon in Weihai City in Eastern China's Shandong Province.

According to Xu Xuebo, vice-director of Shandong Provincial Grain Bureau, this market was set up by the Provincial Grain Bureau and Weihai municipal people's government with the approval of the State Commercial Ministry and Shandong provincial people's government.

Xu said the market will be mainly involved with spot wholesale transactions and forward wholesale transactions, compensation trade, transfer of contracts on forwarding transactions, and development of a commodity futures exchange.

Goods to be traded on the market include various oil-bearing materials, grain, oil products, and nonstaple food. Goods are to be sold both by auction and by negotiation.

Xu said that the establishment of the market is aimed to boost peanut production and expand peanut exports of the province.

Shandong is one of the biggest peanut producers of the country. In 1990, the province produced 2.1 billion kilograms of peanuts, accounting for one-third of the country's total. The province also exported peanuts and peanut products valued at 160 million U.S. dollars to other countries and regions worldwide.

### Aug Cereals, Oils Export Figures Released

HK2509141191 Beijing CEI Database in English  
25 Sep 91

[Text] Beijing (CEI)—Following is a list showing China's export volume of cereals, oils and food in August 1991, released by the general administration of customs:

Name	Unit	Aug. 1991	Aug. 1990
Pig	Head	230,796	258,500
Poultry	in 10,000	324	490
Beef	Ton	14,442	8,596
Pork	Ton	10,084	9,638
Chicken	Ton	5,813	3,719
Rabbit	Ton	953	2,294
Eggs	in 1,000	41,641	41,019
Aquatic Products	Ton	24,991	24,061
Fish	Ton	3,628	3,951
Prawn	Ton	2,300	3,199
Cereals	Ton	1,170,006	607,838
Rice	Ton	17,766	16,729
Maize	Ton	930,648	361,879
Pulses	Ton	72,224	83,179
Soybean	Ton	119,730	121,681
Vegetables	Ton	91,994	88,268
Fruit	Ton	9,226	12,862
Orange	Ton	28	2
Apple	Ton	27	96
Sugar	Ton	60,619	32,693
Canned food	Ton	72,438	51,577
Pork	Ton	18,617	9,749
Vegetables	Ton	38,155	28,989
Fruit	Ton	5,258	5,690
Others	Ton	10,408	7,149
Peanut	Ton	26,584	44,552
Vegetable Oil	Ton	5,321	12,556

### Heilongjiang Grain Harvest Midpoint Report

91CE0786A Harbin HEILONGJIANG RIBAO  
in Chinese 14 Aug 91 p 1

[Article by Leng Leiqiao (0397 7191 2890): "Heilongjiang Grain Harvest Almost Halfway In"]

[Text] Everyone in Heilongjiang is losing no time in rushing to harvest wheat, given the fine weather of late. According to statistics up until 13 August, 12 million mu of wheat was harvested throughout the province, 45 percent of the sown area. Relevant departments in the province state that approximately 530,000 people are mobilized to harvest each day in the province. More than 10,000 reapers are in use harvesting nearly 1 million mu per day.

In 1991 it has been extremely difficult to harvest wheat in Heilongjiang because of late maturation and continuous rainstorms since July. Statistics from 2 August show that province-wide only 2.06 million mu was harvested, approximately 7.9 percent of the sown area.

In recent days wheat harvesting was made a top priority throughout the province thanks to high temperatures and little rain. Most city and county governments issued urgent mobilization orders and organized a great number of cadres to go to grassroots levels to harvest wheat. A commonly used method in places accessible to machinery is to work around the clock by allowing personnel to rest but not machinery. In places inaccessible to machinery, manpower harvests with sickles. In the county towns of Huachuan and Tongjiang, teams wielding sickles quickly harvested 148,000 mu of blistered wheat in six days. Some agricultural households in Shuangyashan City carried tables into the blistered fields and after piling them with harvested wheat they carried it out again to load on trucks at roadside.

At present, harvesting is almost done in 13 county towns including the "three Zhao," Shuangcheng, and Bin county. Harvesting has almost come to an end in Harbin, Suihua, and Songhuajiang.

Relevant departments remind everyone not to lower their guard because the mid-August forecast for Heilongjiang is for much cloudy weather.

### Heilongjiang Animal Husbandry Output Increases

91CE0786C Harbin HEILONGJIANG RIBAO  
in Chinese 2 Aug 91 p 1

[Article by Yu Changcai (0060 7022 2088): "Heilongjiang Actively Implements Animal Husbandry Development Strategy; Meat, Egg and Milk Production Increases"]

[Text] Heilongjiang is actively implementing an animal husbandry development strategy. In the first half of 1991, animal husbandry increased greatly. By the end of June, there was 585,000 head of dairy cattle on hand, up 15.8 percent over the same period in 1990. For oxen on hand

and butchered, the figures were 1.92 million and 230,000 head, respectively, up 10.7 percent and 30 percent. There were 7.505 million hogs in stock with 2.241 million butchered, up 11.1 percent and 20.5 percent, respectively. There were 92.01 million fowl on hand, and 29.867 million butchered, up 18 percent and 27 percent, respectively. There were 3.282 million head of sheep in stock, and 508,000 head butchered, up 1.7 percent and 34.5 percent, respectively. Fresh milk production amounted to 500,000 tons, up 18.5 percent. Total meat output reached 264,000 tons, up 21.5 percent. Throughout Heilongjiang, there were ample city and country supplies of meat, eggs and milk. Markets were brisk with prices stable.

Since the beginning of 1991, everyone in Heilongjiang has thoroughly implemented the overall rural economic development plan of the provincial committee and the provincial government which takes the city of Shuangcheng and county of Wangkui as a model, uses animal husbandry as the main pillar industry of the rural economy, and as the keystone to coordinated development of grain, animal husbandry, and industry as the way to riches for the peasants. These are the main lines. In the first half of 1991, animal husbandry investment exceeded 440 million yuan, up 33.3 percent over the same period in 1990. Foraging areas were commonly increased provincewide. Moreover, materials needed to build animal pens for households specializing in husbandry were provided at preferential prices. More than 50 cities and counties readjusted the subsidies to veterinary personnel from 460 yuan up to 800-1,500 yuan. More than 20 cities and counties brought peasant breeders into the state collective ownership system. Some cities and counties used a portion of milk production plant profits from fresh milk to support the development of milk resource bases.

In 1991 scientific and technological practice of animal husbandry has become more widespread. Base counties, towns and villages, and model science and technology households increased between 20 percent and 100 percent over the past. Five integrated technology projects spread rapidly. Everywhere there has been high regard for the scale of operations. All types of animal husbandry farms and specialized households who rear animals and fowl increased 24.6 percent and 43.5 percent respectively over the same period in 1990. The building of an integrated service system continues to be perfected everywhere.

In 1991 animal husbandry industries in many areas are developing in the direction of an integrated system of trade, industry and animal husbandry. An integrated system of production, processing and sales for poultry in the Datong area of the cities of Yanchou, Hulan, Tieli and Daqing has been created. Likewise, an integrated milk production, processing and sales system has been formed in Shuangcheng, Mulan, Zhaodong and Songzhan. The cities and counties of Fupu, Zhaodong and Anda have formed an integrated beef production, processing and sales system. Hegang and Wangkui counties have formed an integrated hog trading, industry and herding system.

### Guangdong Completes Grain Storage Plan

91CE0786B Guangzhou NANFANG RIBAO in Chinese  
24 Aug 91 p 1

[Article by Huang Xiangguang (7806 4382 0342): "Guangdong Completes Grain Storage Plan, Exceeds Quota"]

[Text] Although 1991 saw a severe spring drought, and the summer harvest period lashed eastern and western Guangdong with typhoons, resulting in lower early grain output throughout the province, the majority of peasants still wholeheartedly thought of the nation and sold their quota of grain to the state as always. Up until 20 August, 1.544 billion kilos of grain was stored in Guangdong, 102.5 percent of the province's summer grain storage plan. The cities of Shantou, Chaozhou, Zhanjiang, Miaoming, and Yangjiang, which faced severe drought, also exceeded summer grain contract plans.

In May 1991 Guangdong readjusted its grain purchasing and selling policies such that peasants who fulfill their grain purchase orders responsibilities to the state (excluding the agricultural tax paid in grain) receive a 10 kilogram premium of standard chemical fertilizer sold at state prices for each 50 kilograms of grain traded. Agricultural material departments and financial departments adopted effective measures to ensure that policies are honored. This greatly motivated the enthusiasm of peasants to sell grain.

To complete the summer grain purchasing plan, Guangdong's grain departments actively raised funds. Prior to harvesting they established a number of granaries and resolved the problem of insufficient granaries by leasing, renting, and ferreting out potential sites. Regarding procurement, they practiced a system of "two in public and one supervised" to prevent the incorrect practice of accepting "grain gifts" or forcing down grades and prices. At the same time, they implemented measures such as reporting costs and substituted goods to the leadership and allowing bonuses for selling top quality grain. The peasants deeply appreciated these measures. In addition, they started out realistically. To normalize the lives of the people in the disaster areas, they appropriately reduced the proportion of summer grain to be stored from disaster areas and set new grain sales targets.

### Yunnan Enjoys Plentiful Early Rice Harvest

91CE0786D Kunming YUNNAN JINGJI BAO  
in Chinese 13 Aug 91 p 1

[Article: "Yunnan Reaps Early Rice Harvest; Strengthen Bases, Science and Technology Show the Way"]

[Text] According to statistical estimates from relevant departments, in 1991 total early rice output in Yunnan province may reach 327.772 million kilos, up 3.23 percent over 1990, with per unit area yield up 12.5 kilos.

Major reasons for the increased output of early rice in 1991 include, first, enhanced leadership over agricultural production in all areas. Preparations for early rice ploughing and sowing were undertaken early and in a down to earth

manner. Agricultural material and supply and sales departments prepared relatively ample chemical fertilizers, pesticides, plastic film and other materials for early rice production. This constituted the base for increased production. Second, there were clear results from capital construction for field irrigation. In the winter of 1990 and spring of 1991, many large scale rice field capital construction projects were started. Conditions for agricultural production were definitely improved by the following. Newly irrigated areas increased 879,000 mu; 4.127 million mu of irrigated area was recovered and improved, 1.843 million mu of low output fields were drained and revamped. The grand total of high output, stable production fields was 3.726 million mu. Third, the area of planting increased. In 1991 the planted area for early rice throughout Yunnan was 799,500 mu, up 22,000 mu over 1990. Per mu output was 410 kilos, up 12.5 kilos over 1990. In particular, a good job was done of implementing hybrid rice as the main scientific and technical increased output measure. Provincewide, 503,000 mu of hybrid early rice was promoted, up 21,000 mu over 1990, representing 58.7 percent of the early rice area. These measures ensured increased gross output.

#### **Nationwide Soil Survey To Be Completed in 1992**

*OW2109032591 Beijing XINHUA in English  
0314 GMT 21 Sep 91*

[Text] Beijing, September 21 (XINHUA)—China is scheduled to complete its second nationwide soil survey by April of 1992.

The Office of the National Soil Survey reports that the survey, which began in 1979, was designed to provide data concerning natural distribution soil, the formation of laws, and soil function and fertility categories. The data will help to promote the utilization and improvement of the country's soil.

The survey cost several hundred million yuan and involved the services of over 300,000 workers who completed more than 11,000 soil maps and 3,000 research reports on China's cultivated land, forests and wastelands.

As a result of the survey, the number of known soil varieties in China has been increased from 43 to 57.

The first national soil survey was carried out between 1958-1960.

#### **Yellow River Records Unusually Low Water Level**

*OW2409131991 Beijing XINHUA in English  
1256 GMT 24 Sep 91*

[Text] Zhengzhou, September 24 (XINHUA)—The water level of the Yellow River, one of China's largest rivers, has dropped dramatically because of this summer's unusually dry weather.

In normal years the river experiences flooding during July and August, but this year the water level had dropped to a trickle due to the low amount of rainfall.

The Huayuankou hydrological station in the lower reaches of the river reported recently that water-flow volume at the station was 1.28 billion cubic meters during July and 1.6 billion cubic meters during August, some 400 million cubic meters and 1.1 billion cubice meters respectively less than the lowest volumes during the two months in history.

Experts said that rainfall in the Yellow River valley was 50-70 percent less than in normal years.

The expert said that the main cause of the low water level is that the river valley has been under the influence of atmospheric circulation with little rainfall for a long period.

They said that over the past six decades low volume water flow in the river has been recorded about one-third of the time.

The low volume water flow in the Yellow River has resulted in losses to agricultural production along the lower reaches, and has reduced the river's capacity to drain silt.

The experts appealed for concerned departments to take measures to enhance the management of the water resources in the Yellow River valley.

**PAP Commander on Mobile Troops**

91P30013

[Editorial Report] Beijing JIEFANGJUN BAO in Chinese 18 August 1991 carries on page 3 a 1,000-word article by People's Armed Police Commander Zhou Yushu. This article concludes a series of articles, solicited jointly by JIEFANGJUN BAO and the PAP General Headquarters, on PAP mobile troop construction.

Zhou Yushu begins the article with a general definition of the PAP. He states that the PAP is "an armed force under the absolute leadership of the party." He goes on to list the fundamental functions of the PAP: "defending the Chinese Communist Party, protecting state security, upholding social stability, and fulfilling daily responsibility at fixed posts." Under the so-called "new circumstances," Zhou says, a further set of duties subsumed under the rubric "sudden incidents" can be added, including suppressing and halting disturbances and riots aimed at subverting the socialist system, handling serious cases of social violence, and dealing with emergencies and disasters—as well as other urgent and unpredictable tasks. Zhou proclaims that dealing with these "sudden incidents" is actually the "special mission" of the PAP mobile troops.

Next, Zhou commends the PAP mobile troops for their hard work in handling sudden incidents and upholding social stability "over the last two years." He also lauds the PAP mobile troops' recent "frontline" role in the flooded areas. Zhou avers that the decision to establish the mobile unit branch of the PAP was "utterly correct."

Zhou continues by specifying the particular demands faced by the PAP mobile troops, one of which is the demand that the troops achieve greater political steadfastness. He proclaims that the mobile troops must "firmly trust in the leadership of the party, firmly uphold the communist ideal, be loyal to the socialist system, and unconditionally obey the commands of the party under any circumstances—wherever the party points, the troops should beat a path in that direction and take on any difficult tasks." Other demands are "more perfection in military affairs, more speed in reaction, and more indomitability in style." To meet these demands, Zhou specifies six areas that must be addressed.

First, mobile troop construction must possess a clear guiding ideology. Rapid reaction requirements constitute the basis of this guiding ideology.

Second, mobile troops must strengthen ideological and political training.

Third, mobile troops must carry out "special training." According to Zhou, this "special training" includes the "five familiarities": familiarity with situations and tasks, familiarity with communications, familiarity with terrain and opening up routes, familiarity with plans, and familiarity with command procedures. Zhou also says that the troops must carry out comprehensive training incorporating anti-riot techniques and tactics.

Fourth, mobile troops must carry out administration in accordance with regulations and with war preparedness specifications.

Fifth, mobile troops must pay attention to "hardware" and do different kinds of support well. Zhou states that the troops should give priority to support of mobile troops in allocating limited funds, equipment, and resources. Such allocations must be put to good and complete use, according to Zhou, making mobile troop "weapons and equipment excellent, communications equipment advanced, and means of transportation high-speed." Zhou asserts: "We must not begrudge the capital for mobile troop construction and must actively strive in relevant areas to gain large-scale support, assistance from all sides, and joint efforts."

Finally, mobile troops must strengthen theoretical study. In Zhou's words: "Although mobile troop construction has made some achievements and has gotten a feel for some experiences, the situation is changing and developing; therefore, requirements must be continuously upgraded. Based on this, we must continue to deepen and expand theoretical study of mobile troop construction guiding ideology, basic tasks, principles of application, organization, weapons and equipment, political work, military training, and logistical support. We must fully put into play the guiding role of theory and truly develop our mobile troops into a crack force, a powerful force, a civilized force, and the steel sword and iron fist of the party and the people."

### Short-Term Economic Development Slows

91CE0794A Hong Kong CHING-CHI TAO-PAO  
[ECONOMIC REPORTER] in Chinese No 34,  
26 Aug 91 p 30

[Article by Ch'en Ning (7115 1337): "Short-Term Prospects for the Taiwan Economy"]

#### [Text] A Few Factors Behind the Economic Slowdown

Taiwan's economy is now in the midst of an important transition. Its economic growth rate has been slowing down since the late 1980's. Particularly in 1990, when private investment contracted as a result of slower growth in the industrial and export sectors as well as political instability and a plummeting stock market, the economic growth rate fell from the 7.6 percent of 1989 to 5.1 percent. The growth rate in every sector except agriculture declined.

Another factor affecting Taiwan's economic growth is the downward trend in consumption and investment, while fund outflows continually accelerate. In 1990, money spent by Taiwanese tourists abroad plus profits repatriated by foreign firms in Taiwan totaled \$17.3 billion. Taiwan's direct foreign investments have also continually increased in recent years. They are estimated to have exceeded \$8 billion in 1989 and \$10 billion in 1990. These investments have been primarily directed to Southeast Asia. Direct investments in Mainland China and Europe (primarily Germany and the Netherlands) have also increased sharply in recent years. In the first 11 months of 1990, investments in Europe totaled \$227 million, four times higher than the figure for the same period in 1989.

The slowdown in exports poses another major threat to the export-oriented Taiwanese economy. After having declined in 1989, the export growth rate dropped again to 0.6 percent in 1990. Apart from the economic recession in the United States and market slumps in other industrialized nations, the appreciation of the Taiwanese dollar and escalating labor costs were also major factors contributing to this situation. Shrinking exports and increased petroleum imports caused profits from foreign trade to drop from \$16.2 billion in 1989 to 13.5 billion in 1990. However, one must also note that Taiwan has already had a certain amount of success in shifting to a higher class of export products, and the export commodity structure continues to move in the direction of added value. Machinery and electronics (primarily computers and electronic products) already account for 40 percent of total export value, while the percentage of export value accounted for by labor intensive products (textiles and shoes) continues to fall.

Of course, the retrenchment policies of the Taiwanese authorities have also had a certain impact upon the economic growth rate. In 1989, the money supply ( $M_1$ ) increased by 6 percent, but it declined 6.7 percent in 1990 due to policies aimed at cracking down on the money supply. In addition, the authorities increased the discount rate as well as the reserve ratio required of banks, and they limited the ability of banks to issue collateral loans and

real estate development loans. These measures also caused the inflation rate to drop slightly from 4.4 percent in 1989 to 4.1 percent.

#### The Stimulating Effect of the Six-Year Plan

In order to stimulate Taiwan's economic transition and accelerate economic growth, authorities there have formulated a six-year infrastructure development plan. Several large public infrastructure projects will be approved in the near future in order to expand domestic demand and bring about an economic growth rate of 6.5 to 7 percent for a time. The industrial sector is expected to grow 3.5 to 4 percent this year and next. Apart from investments in a few public enterprises industrial growth will be fueled primarily by investments in transportation, housing construction, energy resources, and science and technology. Investment in the manufacturing sector currently accounts for only 18 percent of gross domestic product, so its annual growth rate will remain at 2.5 to 3 percent. The growth rate in the agricultural sector can be expected to rebound to about 4 percent this year, but it is expected to decline again in the near future. Only the service sector is expected to maintain a growth rate of about 9 percent.

With respect to foreign trade, exports are expected to recover somewhat this year and next from the stagnation of 1990, achieving an annual growth rate of 3 to 4 percent. The growth rate of imports will exceed that of exports, reaching 5 percent this year and 8.5 percent next year. For this reason, profits on foreign trade will continue to account for 4 to 6 percent of the total output value of Taiwan's economy. Due to increased expenditures abroad by Taiwanese tourists as well as a greater repatriation of profits by foreign firms in Taiwan, current account profits will be somewhat reduced, but they will still reach \$9.4 billion this year and \$6.4 billion next year. Taiwan will accelerate efforts to diversify its export markets. About half of Taiwan's exports now go to the United States or Japan. In the future, Taiwan will initiate closer economic ties with the nations of Southeast Asia. Exports to Southeast Asia in the first half of this year totaled 9.22 billion U.S. dollars, 35 percent more than the same period a year earlier.

#### Beginning To Expand Domestic Demand

Taiwan's economy is beginning to develop in the direction of expanded domestic demand. Consumption is expected to increase at a rate of 6 or 7 percent this year and next. Due to the great increase in public expenditures on infrastructure development, the percentage of gross national product accounted for by investment within the island is expected to reach 23 to 24 percent. In 1991 and 1992, the domestic savings rate is also expected to rebound from the 28 percent of the previous year to 29 percent. However, although the amount by which savings outstripped investment will decrease, it will still be a considerable sum.

Due to increased consumption and investment, Taiwan's economy can be expected to improve, and the annual fiscal income of the authorities may increase. As the six-year plan is carried out, public capital expenditures will greatly



increase (at an average annual rate of about 15 percent). For this reason, the huge surpluses in fiscal budgets of the past may turn into deficits or very small surpluses. If the authorities are truly serious about doing away with pollution, fiscal deficits may be unavoidable. In short, public capital investment will become the primary factor stimulating economic growth this year and next.

Because development in the banking industry is lagging, implementation of the banking law passed in July 1989 will be accelerated. The authorities will further relax control of interest rates, loosen restrictions on the types of business foreign banks are allowed to engage in, and open up government banking institutions to private ownership, all in an effort to accelerate the development of capital markets. Plans to encourage overseas Chinese and foreigners to invest in securities will also facilitate the growth of capital markets. It is estimated that after the retrenchment of 1990, money supply will increase 4.3 percent this year and 9 percent next.

The shortage of skilled workers will become a major factor impeding implementation of the six-year plan and efforts

to switch to a higher grade of export products. The labor shortage is still relatively severe in some sectors of the economy; it has long affected the construction industry and the maritime fisheries industry. For this reason, using foreign labor over the short run to make up for this shortage may be inevitable. In addition, Taiwan will be faced with a series of other pressing problems, including the need to increase investment in research and development, train technical personnel, deal with environmental protection issues, handle the distribution of income and wealth, and other social issues.

In short, in the future, Taiwan's high-growth, export-led economy will be making a transition to an economy of moderate growth fueled to a greater degree by domestic demand. The authorities will rely upon a series of policy reforms (opening up to imports, diversifying markets, relaxing banking regulatory mechanisms, and privatization) to promote change in the industrial structure and product mix. As for the economic growth rate, the growth rate of the gross domestic product can be expected to rebound to about 6.5 percent in 1991 and 1992.

### Premier's Version of Taiwanization Challenged

91CM0511A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese, No 224 30 Jun 91 pp 31-32

[Article by Chen Jou-chin (7115 2677 4897)]

[Text] Are the "people of Taiwan" truly emerging to take the stage? In a statement made in mid-June before the Legislative Yuan, Premier Hao Po-tsun [6787 2672 2625] proclaimed that the "people of Taiwan" have truly emerged to take the stage. Hao's reasons sounded rather like a protest when he said that was so because the president is a Taiwanese, as are the mayor, the county executive, and more than half the chiefs of different ministries and commissions.

### Balanced Provincial Representation in a Political Arrangement

Before those who heard Hao were able to question the "facts" described by him, first edition newspapers were reporting in banner headlines that "The People of Taiwan have Emerged to Take the Stage." Everyone's attention was on the "response." Those people reacting favorably to it might have applauded because Hao touched on their feelings of being oppressed while those objecting to it could only clench their teeth, mutter behind Hao's back, and lambast him for sowing dissension among those with different provincial affiliations.

Conditions at present are similar to that in a criminal court where Hao, as the judge, has already passed sentence at many levels for punishment to fit the crime. Those concerned may have some other opinion because there may be some problem with the facts, and the facts are the premise of a true judgment. Yet, nobody tries to get to the bottom of the matter.

While Hao Po-tsun uses simple numbers to show that because most cabinet members are from the province of Taiwan, the people of Taiwan have emerged on stage. This seems to prove "his reasoning."

Let us start with the presidency, where Li Teng-hui [2621 4098 6540], a Taiwanese, is at the helm. Li Yuan-zu [2621 0337 4662], the vice president, is from Hunan Province. Such an arrangement is just as Hao describes it and stems from an inarguable fact: It is an arrangement to balance provincial representation. The posts of the ministers and vice ministers of the five yuans also follow this kind of political arrangement, matching Taiwan with another province, so that in terms of "numbers," both sides "are dealt an equal hand."

However, if the posts of secretary general are included in this consideration, then the mainland provincial representation has the edge. In the office of the president, Chiang Yen-shih [5592 1750 1102], who holds the civilian post of secretary general, and Chiang Chung-ling [5592 0112 5376], who holds the military chief of staff post, are both natives of Chekiang Province. Other officials, such as the Legislative Yuan's Hu T'ao [5170 3447], the Executive Yuan's Wang Chao-ming [3769 2507 2494], the Examination Yuan's Chang Wei-I [1728 4850 0001], and the

Control Yuan's Kao Yang-chih [7559 0111 2972] are all natives of outside provinces. Among the five yuans, only Wang Chia-I [3769 3946 0044], the Judicial Yuan's secretary general, is a native from central Taiwan.

As for the "chiefs of various ministries and commissions," their definition under the Republic of China's state system may have a different meaning.

If the "chiefs of various ministries and commissions" mentioned by Hao Po-tsun are limited only to the chiefs of the constitutional eight ministries and two assemblies [hui], cabinet members who are natives of mainland provinces have never, since time immemorial, been fewer than those who are native Taiwanese. After the recent cabinet changes, only three native Taiwanese ministers remain to be in charge of the ministries of internal affairs, economics, and transportation.

If the "chiefs of various ministries and commissions" as defined by Hao also include the administrative committee members, there is only one provincial outsider, Chang Chien-han [1728 0494 1383]. Including him with the seven from the eight ministries and assemblies group makes a total of eight provincial outsiders. Administrative committee members who are Taiwan natives include Huang Shih-cheng [7806 4258 1004], Kao Ming-hui [7559 6900 6540], and Kuo Nan-hung [7559 6900 6540], and together with three ministers from the eight ministers and two assemblies group, they make up a total of only six Taiwanese. Common sense and mathematics tell us that the number "6" should not be greater than "8."

If we again assume that "Hao's definition" includes the chiefs of other commissions and bureaus, the figures may be off enough to give Hao another slap in the face, for what he states as facts are not facts at all. There are a total of 17 chiefs of various bureaus and offices, two of whom are provincial outsiders, and seven are Taiwanese. If we stretch the figures to include Chiang Chia-hsing [5592 1367 5281], the acting chief for the National Youth Commission, there are eight Taiwanese which is still fewer than the number of provincial outsiders.

If Hao can find the facts to support him or to count again the number of officials serving in various ministries and offices of the Executive Yuan, he will still find that the ratio of government officials who are provincial outsiders versus those who are Taiwanese to be 34:28.

In the other four yuans, the senior judges in the Judiciary Yuan and examiners in the Examination Yuan, in particular, have traditionally been distributed evenly among the 35 mainland provinces in numbers quite out of proportion with Taiwan. So, the provincial balance originally sought has become an unbalanced one between Taiwan and the other provinces. Earlier, there were 12 senior judges and examiners representing the mainland provinces versus three representing Taiwan. Later on, this figure was increased to 15 for the other provinces and four for Taiwan. Among officials in the office of the president and the five yuans, the overall ratio of Taiwanese versus

provincial outsiders is roughly 4:7 or 43 Taiwanese versus 77 persons of other provincial origin.

Even if the ratio of Taiwanese versus provincial outsiders among civilian officials in recent years be maintained as 3:1, representation by those of other provincial origins among senior officials still has an edge. Level I managers above grade 12 in different ministries, bureaus, and offices in the Executive Yuan and chiefs of their subordinate agencies add up to about 285 persons with 160 of them of other provincial origins and about 115 of Taiwanese origin. Agencies with a predominance of officials having other provincial origins include the Ministry of the Interior (predominance of police officers), Ministry of Foreign Affairs, Ministry of National Defense, and the Vocational Assistance Commission for Retired Servicemen. Agencies with a predominance of officials of Taiwanese origin are noticeably distributed among those with growing activities, such as the Department of Health, Department of Environmental Protection, and the Labor Commission.

In brief, Hao Po-tsun said that more than half of the chiefs in various ministries of the central government are Taiwanese, indicating that the people of Taiwan have emerged to take the stage. While this comment does not belong in the category "unreasonable strong words" or "blabber-mouthing," it only shows that Hao Po-tsun basically is not clear as to which chiefs in which ministries and commissions are Taiwanese and as to which ones are of other

provincial origin, and in his haste carelessly told an untruth. In the "Yen-tieh Lun" [On Salt and Iron], it states that the lips of a blind person can say what is black and white, but the blind person does not have the vision to differentiate between black and white.

Apart from the factual errors just described, Hao Po-tsun also made an error in logic with what is called a "one-sided defense." To prove his statement, he comes forth with some favorable examples and leaves out the unfavorable ones. He cites the fact that the president, the mayor and the county executive are all Taiwanese, and because of that, the people of Taiwan have emerged to take the stage. He erred in not saying anything else. The vice president, the ministers of the Executive Yuan and the Legislative Yuan, the central government's party secretary general, the chief of staff and the commander-in-chief of the armed forces represent mainland provinces, and the provincial outsiders have emerged to take the stage.

Actually, it is not necessary to use simple numbers to say what kind of people are emerging to take the stage. Rather, it is like some tribesmen going to teach the natives in the hinterland where all the modern technology being presented needs to be explained in the native tongue. To allow Hao Po-tsun to understand that his comments "have problems," we can only use "simple arithmetic" to overcome his rigid thinking.

**Provincial Origin of Government Officials in Various Agencies**

Agency	Title	Name	Other Provinces	Taiwan Province
Office of the President	President	Li Teng-hui [2621 4098 6540]		x
	Vice President	Li Yuan-zu [2621 0337 4662]	x	
	Secretary General	Chiang Yen-shih [5592 1750 1102]	x	
	Chief of Staff	Chiang Chung-ling [5592 0112 5376]	x	
Subtotal			3	1
Executive Yuan	Premier	Hao Po-tsun [6867 2672 2625]	x	
	Deputy Director	Shih Chi-yang [2547 0796 2799]		x
	Secretary General	Wang Chao-ming [3769 2507 2494]	x	
	Administrative Committee Members	Chang Chien-han [1728 0494 1383]	x	
		Kao Ming-hui [7559 6900 6540]		x
		Huang Shih-cheng [7806 4258 1004]		x
Ministry of Internal Affairs		Kuo Nan-hung [7559 6900 6540]		x
	Wu Po-hsiung [0702 0130 7160]		x	
	Administrative Assistant	Chen Meng-ling [7115 1322 6875]		x
Ministry of Foreign Affairs	Minister	Ch'ien Fu [6929 6010]	x	
	Administrative Assistant	Chang Hsiao-yen [4545 1321 0917]	x	
Ministry of Defense	Minister	Chen Li-an [7115 1462 1344]	x	
	Vice Minister	Chen Shou-shan [7115 1343 1472]		x
Ministry of Finance	Minister	Wang Chien-hsuan [3769 1696 3551]	x	
	Administrative Assistant	Lai Ying-chao [6351 5391 3564]		x
Ministry of Education	Minister	Mao Kao-wen [3029 7559 2429]	x	
	Administrative Assistant	Chao Chin-ch'i [6392 6855 4362]	x	
Ministry of Justice	Minister	Lu Yu-wen [0712 2589 2429]	x	

Provincial Origin of Government Officials in Various Agencies				
Agency	Title	Name	Other Provinces	Taiwan Province
	Administrative Assistant	Lin Hsi-hu [2651 6932 5170]		x
	Supreme Court Chief Examiner	Shih Ming-chiang [4258 2494 3068]	x	
Ministry of Economics	Minister	Hsiao Wan-ch'ang [5618 5502 7022]		x
	Administrative Assistant	Chiang Ping-k'un [3068 0014 0981]		x
Ministry of Transportation	Minister	Chien Yu-hsin [4675 0642 1450]		x
	Administrative Assistant	Ma Chen-fang [7456 2182 2455]	x	
Commission on Mongolia and Tibet	Chairman	Wu Hua-lin [0702 0553 7792]	x	
Commission on Overseas Chinese Affairs	Chairman	Tseng Kuang-shun [2582 1684 7311]	x	
	Vice Chairman	Ming Chen-hua [2494 6966 5478]	x	
	Vice Chairman	Hsu Ming-hsi [6079 7686 2569]	x	
	Vice Chairman	K'o Wen-fu [2688 2429 4395]		x
Central Bank	President	Hsieh Sen-chung [6200 2773 0022]	x	
	Vice President	Yu Cheng [0205 2398]	x	
	Vice President	Ch'iu Cheng-hsiung [6726 2973 7160]		x
Office of the Comptroller	Comptroller	Yu Chien-min [0060 1696 3046]	x	
Bureau of Personnel	Chief	Po Ta-hai [5597 6671 3189]	x	
News Bureau	Chief	Ch'iu Yu-ming 6730 [3768 6900]	x	
Department of Public Health	Chief	Chang Po-ya [1728 0590 7161]		x
Department of Environmental Protection	Chief	Chao Shao-kang [6392 1421 1660]	x	
Palace Museum	Director	Yeh Hsiao-I [5509 1321 0308]	x	
	Deputy Director	Chiang Chao-shen [3068 0340 3947]	x	
	Deputy Director	Ch'ang Pi-te [2490 1764 1779]	x	
Commission on Economic Construction	Chairman	Kuo Wan-jung [6753 1238 1369]		x
	Vice Chairman	Ts'ui Tsu-kan [1508 4371 0170]	x	
	Vice Chairman	Yeh Wan-an [5509 5502 1344]	x	
	Vice Chairman	Chang Lung-sheng [1728 7127 4141]		x
Commission on Retirement and Compensation	Chairman	Hsu Li-nung [6079 2980 6593]	x	
Natural Resources Commission	Chairman	Yen Chen-hsing [7051 2182 5281]	x	
National Science Commission	Chairman	Hsia Han-min [1115 3352 3046]	x	
	Vice Chairman	Wang Sung-mou [3769 2646 5399]		x
	Vice Chairman	Hu Chin-piao [5170 6930 2871]		x
Research Commission	Chairman	Sun Te-hsiung [1327 1779 7160]		x
	Vice Chairman	Chen Yu [7115 6276]	x	
Office of North American Affairs	Chairman	Kuan Yung [7070 6978]	x	
Agricultural Commission	Chairman	Yu Yu-hsien		x
	Vice Chairman	Ch'iu Mou-ying [6726 5399 5391]		x
	Vice Chairman	Lin Hsiang-neng [2651 0078 5174]		x
Cultural Construction Commission	Chairman	Kuo Wei-fan [6753 3634 5672]		x
Labor Commission	Chairman	Chao Shou-po [6392 1343 0590]		x
	Vice Chairman	Hung Kuang-lin [3163 1684 7792]		x
Commission on Mainland China	Chairman	Huang Kun-hui [3163 1684 7792]		x
	Vice Chairman	Ma Ying-chiu [7456 5391 0046]	x	

Provincial Origin of Government Officials in Various Agencies				
Agency	Title	Name	Other Provinces	Taiwan Province
	Vice Chairman	Hsieh Sheng-fu [6200 3932 8099]		x
	Vice Chairman	Kao Kung-lien [7559 1313 1670]	x	
Subtotal			34	28
Legislative Yuan	Minister	Liang Hsiao-jung [2733 5618 2051]	x	
	Vice Minister	Liu Sung-fan [0491 2646 5672]		x
	Secretary General	Hu T'ao [5170 3447]	x	
Subtotal			2	1
Judicial Yuan	Minister	Lin Yang-kang [2651 3152 3263]		x
	Vice Minister	Wang Tao-yuan [3076 6670 3220]	x	
	Secretary General	Wang Chia-I [3769 3946 0044]		x
	15 Senior Judges		12	3
	Supreme Court Chief Justice	Ch'u Chien-hung [5969 0494 7703]	x	
	Chief Judge, Court of Administrative Law	Lo Ts'ui-ju [5012 5488 0320]	x	
	Chief of Public Security Commission	Wang Jui-lin [3769 3843 2651]	x	
Subtotal			16	5
Examination Yuan	Minister	K'ung Te-ch'eng [1313 1795 2052]	x	
	Vice Minister	Lin Chin-sheng [2651 6855 3932]		x
	Secretary General	Chang Wei-I [1728 4850 0001]	x	
	19 Examiners		15	4
Examination and Selection Division	Chief	Wang Tso-jung [3769 0155 2837]	x	
	Administrative Assistant	Chen Keng-chin [7115 1649 6855]		x
Civil Appointments Division	Chief	Chen Kuei-hua [7115 2710 5478]	x	
	Administrative Assistant	Hsu Yu-shou [1776 2589 1343]	x	
Subtotal			20	6
Control Yuan	Minister	Huang Tsun-chiu [7806 1415 7264]		x
	Vice Minister	Ma K'ung-chun [7456 4500 5028]	x	
	Secretary General	Kao Yang-chih [7559 0111 2972]	x	
Audit Division	Chief Auditor	Su Chen-p'ing [5685 2182 7627]		x
Subtotal				
2	2			
Total			77	43

Note: Ambassadors and representatives posted abroad and officials in local offices and agencies have not been included. (Table prepared by Chen Jou-chin.)

### Biodata on Opposition Legislator Yeh Chu-lan

91CM0588A Taipei TZULI WANPAO in Chinese

4 Aug 91 p 3

[Report by Wu Tien-jong: "Yeh Chu-lan—An Undisguised, Barefaced Opponent"]

[Text] Yeh Chu-lan, who worked on image packaging for numerous products in the advertising industry, has chosen the role of an undisguised opponent in the Legislative Yuan. The political behavior resulting from this role has become the object of the authorities' ridicule, and has worried Yeh Chu-lan's close friends. But through several rounds of perseverance, Yeh Chu-lan finally succeeded,

with several questioning statements, in exposing the political-systemic problem of setting up offices to fit particular individuals under the authoritarian system, thereby causing a nationwide stir.

In the general government-performance questioning conducted once each session of the Legislative Yuan, the DPP Legislative Yuan group usually makes the authentic Taiwan-independence symbol Yeh Chu-lan assume the role of conducting first-round questioning. In the face of Executive Yuan President Hao Po-ts'un, some DPP legislators leave some room for discussion, while hitting the critical spots in various ways. In contrast, Yeh Chu-lan usually starts indicting, in a stern voice, Hao Po-ts'un on "ten crimes," mercilessly accusing Hao Po-ts'un of "expanding

influence by controlling the military, and of colluding with nonnative parties, government and military elites in attempting a coup to overthrow the Lee Teng-hui government under the pretext of opposing Taiwan independence," and calling Hao Po-ts'un "the real subversive."

As far as Yeh Chu-lan herself is concerned, she could very well use a more "rational" way of questioning. But, Yeh Chu-lan believes that, in view of her stands and Hao Po-ts'un's anti-Taiwan independence attitude, she must use the method of stern denunciation to make clear her positions. But, some people privately express a critical view that Yeh Chu-lan is forced to resort to exposing behind-the-scene situations and to using sharp language in politics, because of her limited political capability and experience.

In fact, after Yeh Chu-lan's relentless pursuit on issues such as the agenda of the military affairs meeting or Ch'iang Wei-kuo's unauthorized possession of firearms, Yeh Chu-lan has become one of the most noted legislators of the 87th Session of the Legislative Yuan. Before, faced with questioning, Hao Po-ts'un could leisurely say: "This is a baseless lie, and a good article of slandering." But, after Yeh Chu-lan's repeated questioning, the administrative authorities have been forced to resort to various excuses and deliver self-contradictory explanations.

Yeh Chu-lan, who is regarded as a radical in the Legislative Yuan and in the DPP, is still in fact someone new to the political arena. Before the death of Chen Nan-jong, Yeh Chu-lan was already an excellent manager in the advertising industry. Former colleagues at the United Advertising describe Yeh Chu-lan as "sharp-minded," "intelligent and capable," but also "looking after subordinates." Chen Nan-jong also loved and respected his wife, and often declared to his friends: "I am the first regarding marriage." In terms of her self-understanding, Yeh Chu-lan once described herself as a very successful career woman, having independent personality and ideas. I always consider myself wonderful! With regard to her daughter Chu-mei, Yeh Chu-lan describes herself as being possibly not a dutiful mother but still a wonderful mom.

Those were the roles played by Yeh Chu-lan before the death of Chen Nan-jong. As the wife of Chen Nan-jong who took an active part in the Taiwan independence movement, Yeh Chu-lan understood rather well the Taiwan independence movement, and had the determination to carry on the work in case of Chen Nan-jong's being put into prison. But, it was only after Chen Nan-jong burned himself to death for the sake of a hundred-percent freedom of speech and the ideal of Taiwan independence, that Yeh Chu-lan made up her mind to take part in the Taiwan independence movement. She describes her consistent goals as follows: "I started as an assistant AE, riding a motorbike, and became the director of the largest operational department in United Advertising. The original goal was to become the general manager. I wanted to lead a group of people who are not easy to lead, because advertisers are the most changeable people. You have to be ahead of the times. The advertising industry is in fact the

moving force behind the economy, presents the excitement of meeting daunting challenges, and is also a test for myself. Now, I have given up my former goal and have got involved in politics—facing even more complicated challenges."

Before the election, Yeh Chu-lan stayed behind closed doors for three days and nights, fighting with herself, and finally decided to give up her middle-class Yuppie life to take part in politics.

With regard to the significance of Yeh Chu-lan's election, it is difficult to prevent the public from defining her as a "family member of the persecuted." But, because of achievements in her own career, and because of her understanding about Chen Nan-jong and the Taiwan independence movement, the public expected more than in the usual case of such "family members of the persecuted." Before Yeh Chu-lan entered the Legislative Yuan, people of various groups suggested that she not just assume the roles of a Hakka legislator or the only female DPP legislator, and expressed the hope that she would carry on the cherished work of Chen Nan-jong during his life to pursue a hundred-percent freedom of speech and Taiwan independence.

Faced with such high expectations, Yeh Chu-lan did not have spectacular performance immediately after entering the Legislative Yuan. In her political activities in the Legislative Yuan, besides delivering sharp words aimed at Prime Minister Hao in the Yuan and committee meetings, she was also able to demonstrate a quick response and a clear mind during the questioning of highest government officials at different committees. But, with regard to the political agenda items, Yeh Chu-lan, compared with other DPP legislators who have long been in the political arena, was unable to present her own clear colors except for being the symbol of the Taiwan independence movement.

Besides, Yeh Chu-lan is concerned with such relatively nonpolitical agenda items as child welfare and amphetamines, and conducted several public hearings in the Legislative Yuan to discuss those agenda items. However, as Yeh Chu-lan is defined as a politically oriented popular representative, it would take far more effort to arouse public attention, by being concerned with ordinary agenda items on people's life.

These not totally successful aspects, in addition to the not too politicized personality of Yeh Chu-lan, Yeh Chu-lan once even lost interest in the Legislative Yuan as a political arena.

After the verbal battles with the Investigation Bureau Director Wu Tung-ming at the Judiciary Committee, only Yeh Chu-lan resolutely refused to shake hands with Wu Tung-ming. During the year or more in the Legislative Yuan, Yeh Chu-lan seldom attended dinners with other legislators or government officials. As soon as work was finished, she would usually hurry home to be with her daughter Chu-mei. With regard to the intrigues inside the Legislative Yuan, only Yeh Chu-lan would still express her feelings of being fed up with them in an "insufficiently worldly manner."

Yeh Chu-lan, who expressed the intention to popularize the ideal of Taiwan independence among the middle class at the time the general election, had a period of low mood for that reason after entering the Legislative Yuan.

The several questioning statements criticizing the present disorderly system delivered towards the end of the 87th Session not only aroused public concern over the system of the state, but also cleared the picture for those caring about Yeh Chu-lan. All she is doing now is still the continuation of Chen Nan-jong's efforts to persistently raise questions about the situation of generals in charge of the government in a "free era."

How to popularize the increasingly diversified demands for Taiwan independence among all sectors of society remains a goal which Yeh Chu-lan is the least able to forget.

### Editorial Analyzes Economic Development

91CE0789A Taipei CHING-CHI JIH-PAO in Chinese  
15 Aug 91 p 2

[Editorial: "Analysis on the Situation of Taiwan's Economic Development"]

[Text] On 12 August, Wei Tuan, director of the Third Bureau of the Planning Department of the Administrative Yuan, pointed out: There are three favorable and unfavorable elements in this year's economic development. The former are the gradual global economic recovery, an upturn in private investment, and the continuing increase in national income. The latter are the slowdown of private consumption, the excessive dependence on the mainland market, and the growing gaps in people's incomes.

Director Wei further explained: According to the latest data provided by major international forecasting institutions, the world economy is expected to start gradual recovery in the second half of the year, and the average growth rate of the industrialized countries is expected to reach 3.3 percent next year. Second, because of the effective improvement in the socioeconomic factors affecting investment intentions, private fixed-asset investment is expected to rise in the second half of the year. According to results of the Planning Department's investigation on the investment intentions of the private manufacturing industry, the growth rate of private investment in the manufacturing industry will be 6.75 percent this year. Demonstrating, in comparison with the minus 6.84 percent of last year, an upturn in private investment intentions. Third, the continuing increase in national income has strengthened the potential for economic development. The three elements will promote the growth of Taiwan's economy. With regard to the three unfavorable elements, the CCP temporarily tightened foreign trade and investment policies; because of Taiwan's gradually increasing dependence on mainland trade, Taiwan's business is prone to losses, and will unavoidably affect Taiwan's economy negatively. The slowdown in the growth of private consumption has affected the output value and growth of industry and service sectors, which is another major reason for the slow pace of economic recovery. The increase in the

inequality in income distribution for the tenth consecutive year not only violates the principle of equal prosperity, but also results in social problems, thereby hampering economic development.

The statement of Director Wei still narrowly defines economic development as growth of national income. But, even in terms of this narrow definition, the statement still fails to give an adequate account for the present situation and prospects of Taiwan's economy, and is particularly inadequate with regard to cause-effect relationships and relevant inherent factors. Here we would like to provide further clarifications.

Basically, if national income is the objective to be pursued, then the most concise and clear way is to employ the Keynesian effective-demand equation, dividing income into the five elements of private consumption, private investment, government expenditure, exports and imports for the purpose of studying them. Growth in the first four elements has a positive contribution to the growth of national income, but imports have a negative impact. In the above statement, Director Wei clearly tells us: Growth of our private consumption will slow down, but private investment will grow. Because of the world economic recovery, Taiwan's exports will continue to grow. However, as pointed out by officials of the Economics Ministry, Taiwan's existing import policy is very open, and tariffs are low, presenting almost no obstacles to import. What is implied here is that it is very difficult to increase imports by relaxing import controls. Because of the changing trade structure, businessmen are increasingly swift in the operations of receiving orders and exporting. The inventory of imported goods is shrinking, demand for security inventory is also being gradually lowered, and imports cannot grow. With regard to government expenditure, consumption-related expenditure, at least, is not showing any sign of decrease. Amidst the feverish implementation of the Six-Year National Construction Plan, the government's public investment is increasing at a high rate. Therefore, based on the Keynesian effective-demand equation, Taiwan's economic development appears to have unusually good prospects. This is the fundamental reason why concerned government authorities recently repeatedly announced the recovery of Taiwan's economy and why economic forecasting institutions revalued upward Taiwan's economic growth rate.

Nevertheless, here we have to remind the authorities concerned: The Keynesian effective-demand equation is an "accounting" equation, and is in essence an equation on "realized" national income, and it is debatable whether it can be used in forecasting the future. Particularly worthy of attention is that this effective-demand analytical approach is premised on an extremely important condition, that is, the "insufficiency" of effective demand in society. There is a lot of "surplus capacity" in society, and there are unemployed people everywhere. To examine Taiwan's present situation from this perspective, we are certainly very worried. Excessive government expenditure will produce a squeezing effect. Among other things, the recent loud cry about "labor shortage" and the increasing

number of foreign workers can give some indication of the problem. Recently newspapers reported that wages in South Korea are the highest in Asia. According to expert analysis, this is caused by the government's extensive effort to build public housing, thus suddenly increasing demand for manpower. The negative impact of this on the competitiveness of South Korean products can serve as a lesson for us. In the past two years, the popular argument has been that there is excess private capital in Taiwan, and that it is better for the government to use it for public construction, rather than let it flow into current money games and cause social problems. This argument is particularly convincing when private investment intention is weak, and when private investment is showing a negative growth. For the time being, we will discuss neither the negative effects of an upsurge in the government's public expenditures, nor "how inefficient" the government is in using resources, and even less the deeper-level argument that the flabby private investment may have been caused by inappropriate government regulations. Just based on accepting the results of the Planning Department's July investigation that private investment intentions in the manufacturing industry are likely to improve, we cannot but become worried that large-scale government investment not only cannot coexist with the growth of private investment, but also will increase interest rates, increase returns on factors of production, and raise the general price level, due to mutual competition. In the ultimate outcome, nominal growth of national income cannot offset inflation, and it is possible that the economy can register a negative growth. If so, the above-mentioned good prospects for growth is only a "mirage." In view of recent government efforts to raise funds by issuing bonds, and raising rates for public utilities by various means, one can understand that our worries are not without reasons.

In short, with regard to the external international environment, the opening up of world markets and the recovery of the world economy do provide excellent opportunities for Taiwan's economy, which is orientated mainly to world markets. But the taker of the opportunity is private business. Whether the government can restrict itself to playing only the roles of creating and safeguarding a fair domestic investment environment, and avoid squeezing out private investment, is exactly the key to whether Taiwan's economy can continue to develop briskly.

#### **Inter-Bank Money Center Expands**

*OW0210085491 Taipei CNA in English 0801 GMT  
2 Oct 91*

[Text] Taipei, Oct. 2 (CNA)—The Taipei Inter-Bank Money Center was expanded Tuesday as part of government efforts to liberalize the local financial service market.

The center, an Inter-Bank Monetary Service arm under the bankers association of the Republic of China, originally only served locally-owned banks and selected foreign bank branches here. Starting Tuesday, its membership expanded to include all local banks, foreign bank branches and trust, bill financing and securities companies in Taiwan.

The move should expand the local financial service market and thus improve the prospects of Taipei becoming a regional financial hub, banking sources said.

Business turnover for the expanded Inter-Bank Money Center zoomed to NT\$46.2 billion yesterday, a record in the center's 11-and-half-year-old history. With easy credit in the local financial market, the interest rate for overnight loans offered by the center dropped to a low of 4 percent per annum.

The center's daily turnover is expected to reach between 60 billion NT dlr and 100 billion NT dlr soon, a spokesman said.

#### **Cabinet Approves Railway Project**

*OW0910112891 Taipei CNA in English 0820 GMT  
9 Oct 91*

[Text] Taipei, Oct. 9 (CNA)—The cabinet Tuesday approved a Communications and Transportation Ministry proposal to build a high-speed railroad in western Taiwan.

Construction of the project, estimated to take seven years and to cost 426.6 billion NT dlr (16 billion US dlr), will begin in fiscal 1993, or July 1992.

The 344-km railroad, starting in Taipei and ending in Tsoying near Kaohsiung, is expected to create urban population centers in Chingpu (Taoyuan County), Liuchia (Hsinchu County), Wujih (Taichung County), Taipao (Chiayi County) and Shalun (Tainan County).

A ministry task force, which spent two years preparing the project, said that when the "train a grande vitesse (tgv)" begins operations, traveling from Taipei to Tsoying will take only ninety minutes. Four and a half hours are currently needed.

Taiwan's western corridor will then become a "mega-metropolitan area" and contribute to the government's plans to make Taiwan a Western pacific financial, transportation, and science and technology center, the task force said.

Mao Chih-kuo, task force convener, said the high-speed railroad will greatly increase the quantity and improve the quality of transportation.

"(The railroad's) economic benefits are beyond comparison with any other mode of transportation," Mao said.

Task force officials said the new railroad will carry as many as 190,000 persons a day and will drastically change traffic patterns in western Taiwan.

The ministry forecast that by the year 2011, the high-speed railroad will account for 36 percent of all transportation volume and will cut the old railroad's share of total traffic by 7.1 percent to a mere three percent.

Passenger automobiles will also see a 10.4 percent drop in traffic share to 27 percent.



Officials therefore see the high-speed railroad as a useful tool to contain the increase of passenger cars that now plague most highways.

### Country Remains World's 12th Largest Exporter

*OW0110113591 Taipei CNA in English 0935 GMT  
1 Oct 91*

[Text] Taipei, Oct. 1 (CNA)—The Republic of China on Taiwan will remain the world's 12th largest exporting country this year, ahead of South Korea and mainland China, the Board of Foreign Trade (BOFT) forecast Tuesday.

Taiwan exported US \$67.2 billion in goods and services in 1990, making it the world's 12th largest exporter, according to statistics released by the Geneva-based General Agreement on Tariffs and Trade.

Among the four Asian "dragons," Taiwan's 1990 export performance was second only to Hong Kong's, BOFT said.

With the global economy recovering from its year-long recession, BOFT said, Taiwan exports have remained brisk this year. As of 21 Sep, ROC exports had reached 54.59 billion US dlrs, rising 14.1 percent from the year before.

Barring unexpected severe setbacks, BOFT said, the country's current export boom will continue through year's end. Total 1991 exports will well exceed 70 billion US dlrs for a more than 10 percent annual growth, BOFT predicted.

Quoting tallies released by Korean authorities, BOFT said, South Korea is lagging behind Taiwan in exports this year. As of 25 Sep, Korean exports totaled 49.3 billion US dlrs, up 10.8 percent from the year before. Korea has been Taiwan's strongest competitor in world markets.

With the domestic economy picking up steam, BOFT continued, Taiwan imports are also expected to register double-digit growth this year. Taiwan imported 54.7 billion US dlrs in goods and services in 1990, an increase of 4.7 percent over 1989. In the first seven months of 1991, inbound shipments rose further at an annual rate of 14.5 percent to 36.33 billion US dlrs.

BOFT forecast the country's total foreign trade will surpass the 130 billion US dlrs mark by year's end.

The China External Trade Development Council (CETRA) reported Monday that Taiwan imports have risen steadily in recent years and high-technology products and equipment are becoming the mainstay of inbound shipments.

Eyeing Taiwan's growing import markets, CETRA said, many foreign companies are vying to rent showrooms at the Taipei World Trade Center's (TWTC) import mart. It has recently become even more difficult for foreign suppliers or their local agents to secure a display booth at the center, CETRA reported.

Moreover, it added, consumer products no longer form the bulk of products displayed at the TWTC import mart. The main exhibits are now high-tech items such as microelectronics, information products, aerospace and pollution control equipment and specialty chemicals. Major import sources have also expanded from the United States, Japan and West Europe to include east and north European countries, CETRA said.

In order to accelerate the upgrading of Taiwan industry, CETRA said that the importers or agents of high-tech products will be given priority in renting a showroom at TWTC.

### US Dollar Falls for Sixth Time

*OW0710214591 Taipei CNA in English 1452 GMT  
7 Oct 91*

[Text] Taipei, Oct. 7 (CNA)—The US dollar fell for the sixth consecutive trading session on the Taipei Foreign Exchange Market Monday to close 0.5 Taiwan cents lower at 26.38 New Taiwan Dollars, the lowest level since May 1990.

The greenback, which began its downward trend on 1 Oct when it lost at 26.49 NT dollars, fluctuated between 26.34 and 26.38 NT dollars Monday. [word indistinct] US dollar transactions totaled 46 million US dollars.

On the stock market, the weighted index gained 20.99 points to close at 4,817.65. Turnover was 13.11 billion NT dollars (496 million US dollars).

Of the more than 30 stocks listed on the market, 126 stocks gained, with one rising to its daily ceiling, while 54 posted losses, with one falling to its daily floor. Fifty-four remained unchanged.

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